

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Tuesday February 22 1983

No. 29,006

D 8523 B

French car industry:
a symbol losing
its shine, Page 12

NEWS SUMMARY

GENERAL

Threat to blow up hijacked aircraft

Hijackers threatened to blow up a Libyan Arab Airlines aircraft with about 160 passengers aboard if Malta refused to allow them to refuel and take off.

Mondale in race

Former U.S. Vice President Walter Mondale entered the 1984 democratic presidential nomination race.

Nkomo 'charges'

The Zimbabwe Government may prosecute opposition leader Joshua Nkomo on charges of bringing the police and army into disrepute.

Ski resort deaths

At least 10 people died and another was missing after a fire at the ski resort of Zao in north Japan.

Mexican train crash

At least 20 people were killed and 78 injured when a passenger train and a freight train collided near Guaymas in North-West Mexico.

Mid-air rescue

Building company executive Chris Wells grabbed the controls of a chartered six-seater aircraft and flew for 30 minutes after the pilot blacked out while flying in New Zealand.

Gandhi in Assam

Prime Minister Indira Gandhi visited the north-east Indian state of Assam, where up to 1,000 people were reported killed prior to voting in local elections.

Language penalty

The Paris Opera was ordered by the General Association for users of the French language to pay FF1,300 (\$160) in damages for selling a programme in English.

Japan 'coup plot'

A Japanese opposition member of parliament said the army had plotted to overthrow the Government in 1980 by dropping napalm bombs on the Prime Minister's office.

Bush fire charge

A second man, John Jachal, 34, was charged with starting bush fires in South Australia.

Murder bid charge

Daniel Battle faces a charge of attempted murder after he allegedly tried to disconnect his mother's life-support system during a hospital visit in Newark, New Jersey.

33-tonne jade stone

A 33-tonne jade stone, nine metres in girth, went on show in Rangoon.

Briefly

Landslide killed at least 10 people in Simlasa, Peru.
Earthquake measuring 5.6 on the Richter scale shook the Greek island of Zakynthos.
Iraqi Mujahedeen, a previously unknown group, claimed responsibility for five bombs in Karachi.
French customs seized 15 kilos of heroin at Charles de Gaulle airport, Paris and arrested a Moroccan man.
China's head of state, Marshal Ye Jianying, 85, will retire soon. Page 4

BUSINESS

Qatar to go ahead on \$4bn gas plan

QATAR is to go ahead with development of a \$4bn-\$6bn gas exporting project in partnership with British Petroleum and Compagnie Francaise des Petroles which will produce 6m tonnes of LNG annually. Page 14

LUCAS CAV of the UK lost a deal to supply General Motors of the U.S. with diesel rotary pumps because of a slump in U.S. sales of diesel cars. Page 6

DOLLAR fell to DM 2.395 (DM 2.390), FF 6.7825 (FF 6.8025), SwFr 1.983 (SwFr 1.998) and Y22.5 (Y22.3). Its Bank of England trade-weighted index was 118.8 (118.1). Page 32

STERLING fell 85 points to \$1.534 and to DM 3.675 (DM 3.7025), FF 16.4025 (FF 16.49), SwFr 3.06 (SwFr 3.085) and Y256.75 (Y261). Its trade-weighted index was 80.2 (80.7). Page 32

GOLD rose \$1 in London to \$506, \$1.75 in Frankfurt to \$504.75 and \$1.75 in Zurich to \$504.5. Page 27

FRANKFURT: Commerzbank index rose 8.7 to 796.6. Pages 25, 26

LONDON: FT Industrial Ordinary index slipped 1.3 to 644.6. Government Securities were hit by nervous selling. Page 25. FT share information service, Pages 28, 29

WALL STREET: U.S. markets were closed for Washington's birthday.

TOKYO: Nikkei Dow index fell 61.04 to 1,987.27. Stock Exchange index lost 4.02 to 582.17. Pages 25, 26

HONG KONG: Hang Seng index shed 6.33 to 983.82. Pages 25, 26

AUSTRALIAN prices fell on news of Labor's state election victory in Western Australia. All shares index lost 12.4 to 504.8. Metals and Minerals index tumbled 20.5 to 447.2. Pages 25, 26

WEST GERMANY'S wholesale prices fell on an annual basis for the first time since October 1978.

NOIRWEGIAN Royal Commission tabled proposals that could destroy Statoil's position in the offshore oil industry. Page 3

SONY and Philips are to launch a digital LP disc in the UK next month. Page 8

WEST GERMAN Credit Supervisory Office declared a moratorium on the transactions of Harmsbank, Hamburg. Page 15

SOVIET PREMIER Nikolai Tikhonov in Athens said he would sign a long-term economic and scientific co-operation agreement between the Soviet Union and Greece.

INTERNATIONAL Harvester Australia incurred losses of U.S. \$189.2m in the year to October. Page 16

KOMATSU, the world's second largest construction machinery maker, increased pre-tax profits 77.2 per cent to ¥85bn (\$277m) in 1982. Page 16

SASOL, the South African oil-from-coal producer, lifted pre-tax profits 10 per cent to R195.9m (\$177.7m) in the year to June 28 1982.

SWISS VOLESBANK intends to raise its dividend from 7 per cent to 8 per cent. Page 15

MINISTERS IN KEY MEETING TODAY

Pressure builds on Gulf states for sharp price cuts

BY ROGER MATTHEWS AND CARLA RAPOPORT IN LONDON

PRESSURE for a substantial cut in oil prices in the Gulf intensified yesterday as the major customers of the British National Oil Corporation (BNOC) withheld their acceptance of BNOC's recent cut in the price of North Sea crude oil from \$33.50 to \$30.50.

Saudi Arabia and its Gulf oil-producing allies will meet in Riyadh today to decide on a level of price cuts which seek to limit the risk of provoking a full-scale oil price war.

On Sunday, two days after BNOC announced its cut, Nigeria dropped the price of its crude to \$30, a cut of \$5.50. The Nigerian cut puts us in a whole new ball game, said one major customer of North Sea crude oil.

Gulf Oil, which had previously refused two cargoes of crude oil in protest at BNOC's price cut, said yesterday that it "would attempt to make the most favourable transaction possible." This confirms that the company could well switch more of its purchases to Nigerian oil if it remains cheaper than North Sea oil.

BNOC said yesterday it was still awaiting customer response to its cut. Spot oil prices, which had been about \$4.50 below the official price before the cut, dropped yesterday to around \$28.20, or about \$2.20 below the new official price.

The oil ministers of Saudi Arabia, Kuwait, United Arab Emirates, Bahrain, Qatar and Oman had already reached broad agreement on the need for a \$4 cut in the \$34 reference price before this strategy

OPEC OIL PRODUCTION (m b/d)			
Country	Jan '81	'81	'82
Saudi Arabia	10	8.5	5.0
Iran	1.2	1.2	2.7
Iraq	0.5	1.2	0.8
Kuwait	1.5	0.75	0.7
UAE	1.6	1.4	1.2
Qatar	0.5	0.3	0.3
Neutral zone	0.5	0.3	0.4
Nigeria	2.1	1.4	1.9
Algeria	0.9	0.7	0.7
Libya	1.6	1.0	1.8
Gabon	0.2	0.2	0.2
Venezuela	2.2	2.3	2.2
Indonesia	1.8	1.6	1.3
Equator	0.2	0.2	0.2
OPEC natural gas liquids	1.0	1.0	1.0
Total OPEC	25.7	22.05	19.5
World Oil Demand	48.0	47.0	46.7

OPEC output as % of world oil demand: 54% '81, 47% '82

Current figure estimated at 40%

Source: Wood Mackenzie

was undercut by Nigeria's sharp reductions.

The key issue for the ministers in Riyadh will be how far they can drop the price below \$30 without forcing another cut by Britain and Norway and then by Nigeria, which has promised to follow North Sea prices down "cent by cent."

A consensus appeared to be emerging yesterday on an interim \$5 reduction to \$28. The Gulf ministers would like to take this proposal to an emergency meeting of the Organisation of Petroleum Exporting Countries (Opec) in a last-ditch effort

to prevent the organisation from collapsing.

However, for any agreement to stick, it would also need to include arrangements for production sharing and differentials. Iran and Libya, the Opec members which are most responsible for breaching previous agreements, were understood to be meeting secretly yesterday with Algeria in Geneva. In Algeria, a statement was issued calling for an immediate Opec meeting.

The main oil producers continue to blame the drawing down of world stocks for the sharp drop in demand for Opec oil, which some estimates suggest has fallen well below 15m barrels a day this month.

However, the International Energy Agency reported yesterday that oil companies' stocks at the start of 1983 were only a little lower than 12 months previously.

The agency said that reports of massive drawdowns in stocks during January were greatly exaggerated.

The main cause for Opec's problems was a continuing fall in industrial demand.

Although one Saudi newspaper said yesterday that the Kingdom was prepared to lower its prices to \$27 a barrel, other reports from Riyadh indicated that King Fahd was opposed to any swift unilateral action by the Gulf countries.

The Gulf countries failed on Sunday to persuade Lagos to reconsider the size of its price cut.

Threat to stability; Qatar in LNG deal; and Lex, Page 14

Renault Paris plant hit by fresh labour unrest

BY DAVID HOUSEGO IN PARIS

FRESH UNREST flared in the French car industry yesterday when hundreds of workers at Renault's car plant at Flins, on the outskirts of Paris, went on strike over the dismissal of three trades union representatives.

The factory works council, on which the unions are in a majority, rejected the sackings, but the Renault management indicated it would still go ahead with them.

In a compromise gesture, however, the pro-Socialist CFDT union, to which the three delegates - all immigrant workers - belong, decided to abandon the strike today to give the management a chance to change its mind.

The management is due to give its decision tomorrow. The CFDT said it would strike again on Thursday if Renault tried to dismiss the men, who are accused of provoking violence during last month's strike.

At Citroën's plant at Aulnay, north of Paris, hundreds of immigrant workers defied the management by escorting 12 members of the pro-Communist CGT union into the works. Citroën dismissed them last week for their part in the violent clashes that left 25 people injured at the plant earlier this month.

The 12 sacked employees, all immigrants, included four local CGT leaders. The Aulnay works council also rejected their dismissal yesterday. The Citroën management said

there could be no negotiation over the dismissals because of the violence.

M Akka Ghazi, the main CGT representative at Aulnay and a magnetic leader of the Muslim immigrant workers, was cheered by the crowd as he chanted into a microphone: "We have won, we will return, we will sing with the CGT."

He is among the sacked employees. It has emerged that there is considerable common ground among the union leadership, management and the Government to avoid another long dispute at either Flins or Aulnay, which could cripple the car industry in its present condition.

Symbol losing its shine, Page 12; Mexican car output falls, Page 15

EEC lobbies Shultz on exports

BY JOHN WYLES IN BRUSSELS

EEC FOREIGN ministers are to put pressure on the U.S. to draw back from any further escalation in the transatlantic conflict over subsidised exports of farm products.

The ministers, worried by reports that the Reagan Administration is negotiating up to a dozen subsidised export deals, agreed in Brussels yesterday to urge Mr George Shultz, the U.S. Secretary of State, to exercise restraint.

"We wish to avoid any repetition of last month's sale of 1m tonnes of wheat flour to Egypt at a knock-down price, which robbed the Community of one of its principal wheat flour markets."

"We are disturbed about the deal with Egypt," said Mr Douglas Hurd, the UK Foreign Office Minister who first made the suggestion of a direct approach to Mr Shultz.

"We will say that we are worried

at the political implications of what is happening."

He said he thought the Egyptian deal did not signal a U.S. intention to attack the EEC's subsidised export system with a full-blown policy of its own.

"I regard the sale as a shot across the bows - an indication that the problem has not been solved," said Mr Hurd.

The approach to Mr Shultz will be made by Herr Hans Dietrich Genscher, the West German Foreign Minister, in his capacity as President of the EEC's Council of Ministers.

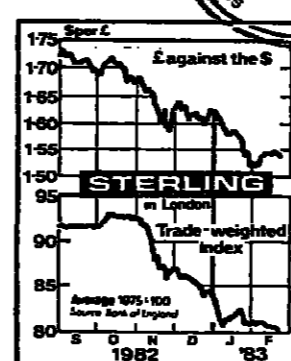
It will be deliberately low key so as to avoid any suggestion of an ultimatum or warning. Significantly, France, whose ministers have been most hawkish in calling for retaliation against the U.S. avoided any such drum-beating yesterday.

According to Mr Hurd, the U.S. deal with Egypt will almost certainly include the subsidised sale of butter. Reports suggest that around 24,000 tonnes will be delivered at some discount to world prices.

The Community's position, as defined yesterday, recognises this as a fait accompli.

The Community's budget is close to exhausting its revenues because of rising spending on support of farm prices and export subsidies.

After hearing Mr Christopher Tugendhat, the EEC's budget commissioner, outline the suggestions published by the Commission two weeks ago for raising budget revenues, Mr Hurd last night repeated Britain's opposition to the lifting of the current limits on the revenues and its belief that resources will be adequate if farm spending is contained.



Pound at lowest level in 4 1/2 years

By Jeremy Stone in London

UNCERTAINTY OVER further downward trends in oil prices pushed sterling to its lowest level since October 1978 in London yesterday. The Bank of England's trade-weighted index, which measures the pound's effective exchange rate against a basket of currencies, closed at 80.2, half a point below its level on Friday.

Dealers were initially worried that competitive cuts in crude oil prices would develop into a "leapfrog syndrome", putting pressure on sterling as the market discounted a fall to \$25 or below.

However, it was not the day for a wholesale ditching of the pound. The market saw the Bank as giving prompt support early in the morning - "when there might otherwise have been an avalanche" - and the pound subsequently recovered a little against most currencies.

Thinner trading in the afternoon, when U.S. markets were closed for Washington's birthday, left sterling vulnerable to even a few large selling orders, which appeared late in the day.

Sterling gave up 0.85 cents to finish against the dollar at \$1.5340, and the pound was also 2.75 pence lower at DM 3.6750 compared with Friday's London close. The dollar opened lower against the continental European currencies in London and remained weak, losing 0.3 on its trade-weighted index to close at 118.8 (1975 = 100).

The gilt-edged market was nervous about sterling, and some stocks fell by as much as a point in very thin trading.

The London money market also took early action to avoid being caught out by a large-scale slide in oil prices. Interbank rates moved up by about a sixteenth of a point against Friday's close.

Stock markets, Page 25; money markets, Page 32

Caracas set to impose foreign currency curbs

BY KIM FUAD IN CARACAS

BANKERS and businessmen in Venezuela expect the Government to impose formal exchange controls this week, following its decision late on Sunday night to suspend all sales of foreign currency for two days.

President Luis Herrera Campins and members of his Cabinet yesterday refused to comment on future plans, but bankers and businessmen in Caracas said that the suspension of sales of foreign currency would "make no sense unless followed by formal exchange controls."

Venezuela suspended the sale of foreign currency yesterday for 48 hours, in an apparent attempt to halt capital flight, which has drained about \$736m from international reserves since the beginning of February.

In an announcement made over a nationwide television and radio network late on Sunday, the Government said that all foreign currency sales would be suspended on February 21 and 22, but gave no indication of measures to be taken thereafter.

Over the past three weeks, Venezuela's international reserves have fallen from \$9.5bn at the beginning of February to \$8.7bn last Friday.

The decision to suspend currency sales came following round-the-clock weekend meetings between President Herrera Campins, Sr Leopoldo Diaz Bruzual, the central bank president, and Sr Arturo Sosa, Finance Minister. Sr Sosa rushed

back to Caracas, cutting short talks in European financial capitals, where he was trying to re-negotiate \$6.6bn of Venezuela's short-term foreign debt falling due this year. The country's total foreign debt is about \$30bn.

The emergency meetings intensified speculation that the Government would impose exchange controls for the first time in over 20 years, followed perhaps by the devaluation of the bolivar, which is currently 4.30 to the dollar.

Banking sources in Caracas see exchange controls as likely, but feel that devaluation is not probable for the time being. They note that Venezuela is heavily dependent on imported food staples, while its main sources of income is from its petroleum exports.

"It doesn't make any sense as a strategy or even an emergency move to devalue the bolivar," one private sector economist said.

Bankers feel a two-tier exchange control system is much more likely, with dollars used for essential imports held at the current rate while either a higher fixed rate is imposed for non-essentials, or the dollar rate for such uses is allowed to float.

Hugh O'Shaughnessy writes: In a speech which could presage tighter controls on foreign exchange, General Efraim Rios Montt, the Guatemalan president, warned on

Continued on Page 14
End to the easy life, Page 4

Dow Banking loses Costa Rica suit

BY PETER MONTAGNON IN LONDON

A GENEVA municipal court has quashed a suit brought by Dow Banking Corporation of Zurich to have Costa Rica declared in default on a SwFr 20m bond issue because of non-payment of interest.

The suit, widely regarded as a test case in the Euromarkets, is one of the first to be brought against a sovereign country by an individual bondholder. Dow is acting on behalf of a client which holds SwFr 6m of the issue, launched in 1980. It said yesterday that it plans to appeal against the court judgement.

"We think the judgement was wrong and we're going to appeal. We will go to the highest court in

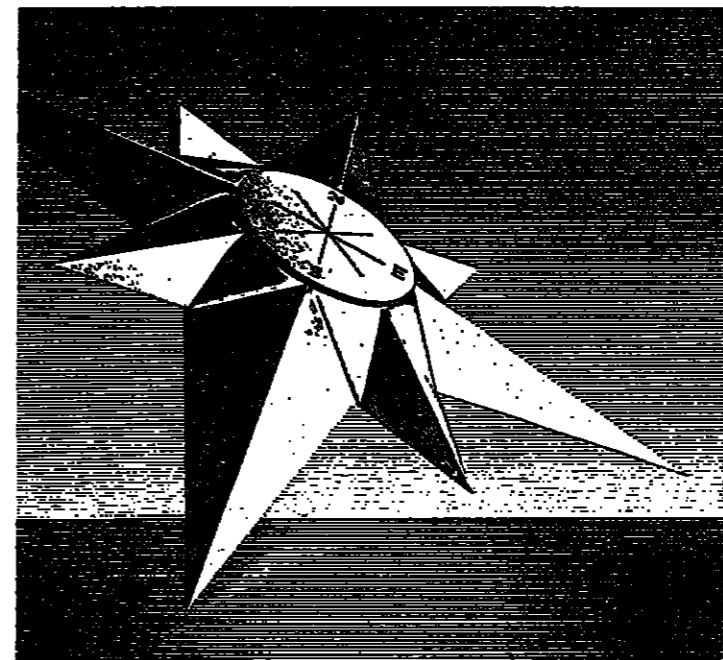
the land if necessary because we are sure we're going to win this one," said Mr Leslie Merszel, president of the bank.

Bankers in Switzerland said that Dow had lost its case in Geneva for technical reasons. There is no dispute that interest has not been paid on the bond since October 1981 and arrears now amount to SwFr 1.68m.

But it is understood that the judgement called Dow Banking's suit invalid because it was not brought by the actual holder of the bonds. If this point is upheld by higher courts, it would mean that customers of Swiss banks, who trans-

Continued on Page 14

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EUROPEAN NEWS

Andropov lays a strong hand on Soviet domestic and foreign policy

Anthony Robinson in Moscow assesses the first 100 days of the Soviet Union's fifth leader

WITS HERE have dubbed the Kremlin "the Andropopolis." This half-jest reflects very accurately the firm stamp which Mr Yuri Andropov has put on foreign and domestic policy in his first 100 days as the Soviet Union's fifth leader.

With speed and method, he has established himself as an authoritative leader in the world's eyes and moved to stem the drift and cynicism at home which characterised the Brezhnev closing years. His two main achievements so far have been:

● To set the Reagan Administration on the diplomatic defensive and to spark debate inside the Western alliance, with a rapid series of arms control proposals. These include a non-aggressive pact with Nato, creation of a nuclear-free zone in central Europe, and a cleverly couched offer to reduce the number of Soviet SS-20 intermediate-range missiles to that of British and French missiles combined.

● To put Soviet workers, managers, bureaucrats on their toes with a vigorous public campaign to root out inefficiency and corruption. Within three months of Mr Andropov's accession to the post of general secretary of the Communist party, industrial output jumped from an average increase of 2.8 per cent in 1982 to a 6.8 per cent rise in January. That looks suspiciously like confirmation of Mr Andropov's view that the Soviet system has large reserves of productivity to tap.

Not least of his accomplishments was his smooth assumption of power from Mr Leonid Brezhnev. He is the first Soviet leader to become head of the Communist Party thanks, not to his position in the party as such, but to his own institutional power-base in the KGB security police and to the support of powerful party men in the armed forces and foreign policy establishment.

However, it would probably be a mistake to assume that he is totally master yet in his own house. Change is gradual in the Soviet system. The politburo is still Mr Brezhnev's, and the post of president is still vacant. It was thought Mr Andropov might promptly fill the presidency himself or with his main rival, Mr Konstantin Chernenko. So far, he has lacked the power, or the inclination, to tackle the presidency issue, and the top protocol job continues to be occupied on a caretaker basis by Mr Vasilii Kuznetsov, the 81-year-old Vice-President.

Given the advanced age of most members of the politburo, it is only a question of time before Mr Andropov moves to inject fresh blood into the highest reaches of state and party policy-making. In the meantime, he has contented himself with making piecemeal personnel changes.

Some of these, such as the appointment of Mr Geidar Aliyev, the Azerbaijan party

boss, to the post of Deputy Prime Minister in charge of weeding out corruption and making the transport system work, may well have been in the pipeline before Mr Brezhnev's death.

But he moved fast to remove Mr Nikolai Shchelokov, the 72-year-old Brezhnev protégé, as Minister of the Interior and replaced him by Mr Vitali Fedorchuk who, only seven months earlier, had taken over as head of the KGB from Mr Andropov himself.

Mr Andropov promoted his long-time subordinate, Mr Viktor Chebrikov (59) to run the KGB. The changes were partly designed to eliminate rivalry between the KGB and the Interior Ministry.

He also speedily removed the Minister of the Railways and the Minister of Internal Trade, created a new economic secretariat in the party's central committee and underlined his search for talented and competent technocrats by promoting Mr Nikolai Ryzhkov, a 53-year-old first deputy chairman of Gosplan to head the new department.

A series of lower level appointments also indicate that the process of replacing Brezhnev appointees—many in their late sixties or seventies—with younger, more professionally qualified men in their fifties is gathering pace.

In his highly publicised visit to the Ordzhonikidze machine-tool factory in Moscow earlier this month, Mr Andropov sought to impress directly upon his working-class audience and, beyond it, to the nation at large that the search for greater discipline and greater efficiency were intertwined, and that both were aimed at raising living standards and the international standing of the Soviet Union.

By style and temperament, Mr Andropov is not a populist. But his simple, direct style of Russian and the air of competent authority he carries with him appears to have sparked a positive response from a population which expects authority from the top. This does not mean to say, however, that all his moves have been popular.

Sending the militia out into the streets to surround stores, restaurants, baths and other public buildings during working hours to check on the identity papers and work excuses sent shivers of apprehension up many Soviet spines. Signs of a tougher approach towards dissidents and intellectuals, like the historian, Mr Roy Medvedev, and the writer Mr Georgi Vladimov, and others less known, as well as warnings to directors of cinemas and theatres that they should con-

centrate on uplifting Socialist themes, have also brought fears of an intolerant attitude towards the intelligentsia.

Mr Andropov himself is widely regarded as being intellectually and culturally superior to any of his successors since Lenin. But few people here equate his intellectual capacity with any proclivity to soft-hearted liberalism. He is a man who fully understands the power of ideas, especially if they run counter to the official ideology of the Marxist-Leninist state.

During his 15 years at the KGB Mr Andropov waged an unrelenting struggle against intellectual and political dissent and largely prevented the increased trade and political contacts with the West which developed out of détente from spilling over into political and social ferment at home.

At the same time, however, his intelligence and access to detailed information about social and economic, as well as political and intellectual, undercurrents must also have shown him how far the rigidities of the bureaucratic economic and political system have contributed to the slow-down in economic growth and the threat which this poses to the military and political strength of the Soviet State.

Injecting greater efficiency

and dynamism into the economy is clearly an over-riding priority. So far, there are few indications that Mr Andropov plans any far-reaching reforms. But he clearly believes that the Soviet economy possesses vast potential scope for higher productivity and greater efficiency. This must be utilised, he says, not by the investment of huge sums on vast capital-intensive projects, but by better management methods, greater labour discipline, speedier introduction of new technology and the elimination of the more obvious bottle-necks in transport, steel and electric power.

Mr Brezhnev was also a great one for exhortation. The difference is that he—especially in his last few years—was loath to move even the most obviously corrupt and inefficient officials, while Mr Andropov, with his KGB files and puritan asceticism, inspires a fear and respect denied his predecessor.

At the same time, however, the economic problems he has inherited are vastly more complicated than those of the Brezhnev years. Resources are now more distant and more expensive to exploit, while the labour intake is slowing and the military and foreign economic burdens on the Soviet state are much greater. If Mr Andropov's hopes for higher productivity are to be realised, a margin

also has to be maintained to improve, or at least maintain, living standards so as to provide material incentives for effort and achievement.

It is hard to see how these complex problems can be tackled without improvement in the international situation and avoidance of another expensive arms race. Mr Andropov has stated repeatedly that the Soviet Union is prepared to go very far in the search for an equal and balanced arms control agreement at both the INF and start talks in Geneva. He has also re-stated the Soviet interest in a political solution in Afghanistan.

But the really tough decisions on these crucial issues remain to be made. The public Soviet position is that both start, by concentrating on land-based nuclear missiles in which the Soviet Union has a superiority, and the INF talks, by concentrating on the SS-20 missiles, are trying to effect a force of unilateral disarmament and to throw away two decades of high military investment. "We are not a naive people," was Mr Andropov's public response.

In Afghanistan, too, almost any conceivable political solution would be bruising, in the short term, for Soviet military and political prestige. In the longer term, the Soviet Union could benefit in improved



relations with the Middle East and the Moslem world, as well as with the West. Decisions of this magnitude and sensitivity can only be taken by a leader in full political control and able to demonstrate convincingly to the military and other groups that long-term survival and prosperity of the Soviet Union demands such flexibility.

It remains to be seen whether Mr Andropov is that man. But his early performance over the first 100 days suggests that the Soviet Union has a leader to be reckoned with—even though it is still too early to tell where exactly Mr Andropov proposes to take the Soviet people.

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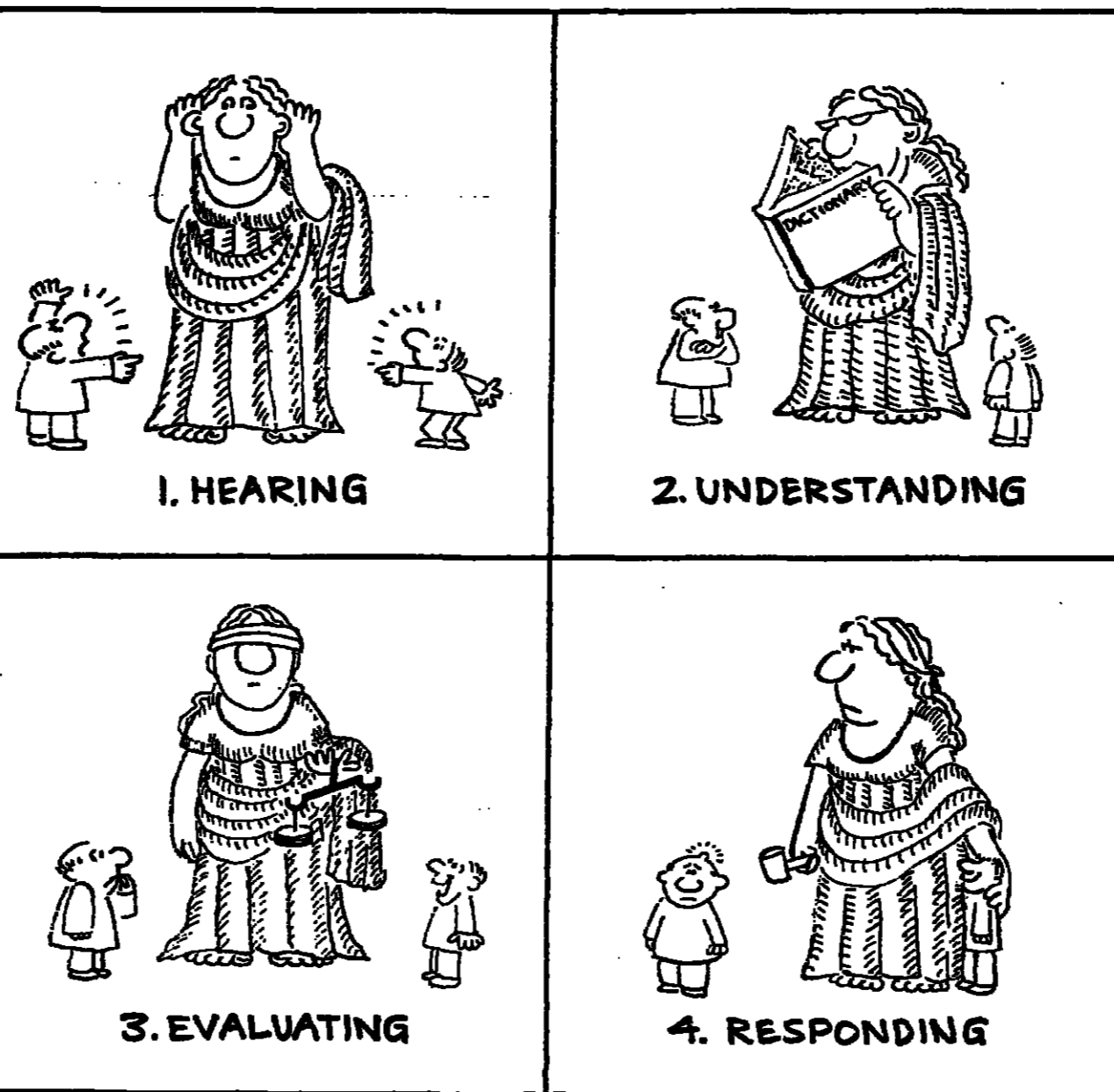
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Rakowski calls on party members to join unions

BY LESLIE COULT IN BERLIN

POLISH Communist Party members should be encouraged to join the country's new factory unions which were created after the banning of the Solidarity movement, Mr Mieczyslaw Rakowski, the Deputy Premier, said on Hungarian television at the weekend.

The main aim of the visit to Hungary, with Mr Stanislaw Ciosek, the Polish Trade Union Minister, was to learn more about the Hungarian trade union movement, he said. He also had talks with Mr Janos Kadar, the country's leader.

Until now, said Mr Rakowski, the Polish Communist party had been reluctant to have large numbers of its members join the new unions because it did not want the unions to appear to be an instrument of the party.

He now felt it was "time to abandon this idea" and to convince party members that they

should join and play an active role in them. Mr Rakowski said only 200,000 party members belong to the 1m-strong unions, compared with a total membership of more than 2m.

Mr Ciosek said in an interview with a Hungarian newspaper that, under the reluctance of Polish workers to join the new unions, as they have "burned their fingers twice."

The first time was in 1980, when the former unions failed to accomplish their task, he said. When workers joined Solidarity, he claimed, they found themselves "riding a horse which had suddenly changed direction."

He and Mr Rakowski returned to Poland on Sunday. In the meantime, Mr Stefan Olszowski, the Polish Foreign Minister, began talks in Budapest with Mr Frigyes Posa, his Hungarian counterpart.

Hungary seeks more than \$200m from World Bank

BY DAVID BUCHAN

HUNGARY is negotiating to borrow more than \$200m from the World Bank for energy and agricultural projects this year, according to Mr Miklos Fulai, vice-president of its National Planning Office.

It is seeking \$100m to \$110m to help finance energy rationalization schemes, such as conversion from oil to gas or coal, coal washing, and petrol refining; and a further \$120m to \$130m to improve crop yields and grain storage, said Mr Fulai. He has represented

Hungary on the World Bank board since the country joined it last year.

Negotiations for a third World Bank loan which would improve Hungary's export goods processing industry are less far advanced, he said, and would not be completed until the end of this year.

Partly because of recent devaluations of the forint, Hungary's per capita income is low enough, in dollar terms, to qualify for World Bank loans.

Peace issue splits church and state in E. Germany

BY OUR BERLIN CORRESPONDENT

A SMOULDERING conflict between the East German church leadership and the country's church-inspired peace movement has flared into the open.

The East German Communist Party has been jolted into action by protests from West German peace campaigners following the arrest of young East German peace activists in the city of Jena and by a gathering in Dresden of thousands of young people supporting the movement.

The arrests of the Jena campaigners began last month after a number of them tried to gather on a main city square on Christmas eve for a minute of "silence for peace". They were turned away by the police and subsequently called in for questioning.

Some had previously circulated a "peace paper" calling for a Europe without nuclear weapons, and for a social peace service in East Germany for conscientious objectors. Some 14 residents of Jena are said to be in detention.

Members of the West German peace movement, including Frau Petra Kelly, a founder of the Greens ecology and peace party, called on East Germany to release those detained. Simultaneously several thousand supporters of the unofficial peace movement gathered in the Protestant churches of Dresden last weekend to discuss the Government's policy towards them.

A Dresden youth pastor, Herr Harald Bretschneider, told the young people who packed the Annenkirche that fear of militarisation around the world, "including our country," had led to an "astounding commitment for peace."

Young men rose to ask the pastor and other churchmen what could be done about the

obligatory marksmanship training in East German secondary schools and about the trials of conscientious objectors not permitted to serve without weapons in "construction battalions".

Several young people also voiced sharp criticism of the church which they accused of backing down in its support of the peace movement.

The East German leadership responded by eliciting testimonials from young Christians who signed a letter to East Germany's letter published yesterday in the main party newspaper Neues Deutschland.

The letter began "Dear friend Erich Honecker" and noted that East Germany was the first German state whose policy fully corresponds to youth's struggle for peace and happiness.

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د. محمد صالح المنجد

EUROPEAN NEWS

Christian Democrat party begins to emerge in Spain

BY TOM BURNS IN MADRID

THE CHANCES of the creation of a new, and potentially strong, Christian Democrat party in Spain were greatly increased at the weekend by the dissolution of the former ruling party, the Union de Centro Democrático (UCD).

The new party seems likely to be formed around the kernel of the much smaller Partido Democrático Popular (PDP), which fought last October's election as the junior partner of Sr Manuel Fraga's Alianza Popular.

The probable mechanism for the formation of the new party was the assurance yesterday that high-ranking members of the now-defunct UCD would be given senior party posts in the PDP, which is led by Sr Oscar Alzaga.

He is a 40-year-old Madrid University law professor who has built up a successful practice with close international banking links.

Sr Alzaga will be seeking the backing of West German Christian Democrat funds, formerly channelled to the UCD through the Konrad Adenauer Foundation. The German CDU funding of what was then Spain's ruling party is compar-

able to the financial aid extended to the Spanish socialists by the SDP.

Sr Alzaga himself broke away from UCD last summer to create his own party with a clear Christian Democratic ideology. He subsequently associated his group with Alianza Popular to contest the autumn elections. The new intake from the rump of the UCD increases Sr Alzaga's standing in the opposition coalition considerably to the point where he has become the heir apparent to Sr Fraga as leader of Spanish conservatives.

The new aspect of the PDP in Spain's political spectrum is its conscious use of the European Christian Democratic model, particularly that of the Italian party.

A feature of the post-Franco rebirth of political parties was the absence of a formally Catholic party, although individual politicians, particularly in UCD, adhered to Christian Democratic principles. In welcoming the new members, Sr Alzaga claimed that "for the first time in the history of Spain there will be a single Christian Democratic party."

Norway may curb power of Statoil

By Fay Gjester in Oslo

A Norwegian Royal Commission yesterday tabled proposals that could destroy the powerful position of Statoil, the national oil company, in Norway's offshore industry.

The Conservative minority Government under Mr Kaare Willoch, promised to trim Statoil's wings when it took office in October 1981.

The Commission suggests that large parts of the holdings which Statoil already owns in several licensed areas, including the rich Gullfaks oil and gas field, could be transferred to direct State ownership.

In future concessions, a significant stake would be retained by the State, while Statoil's share would not be much larger than that allocated to Norsk Hydro and Saga, the other two Norwegian oil companies.

Norwegian companies would always comprise a majority. Statoil, however, would continue to be responsible for negotiating the sale of state oil, as well as its own. It would also retain the right to negotiate gas sales on behalf of all the partners on the field.

Since 1973, Statoil has received stakes of at least 50 per cent in all Norwegian licence awards, with the right to increase its share up to 80 per cent under certain conditions.

This has given it a decisive voice in field development planning and contract awards and, as new fields come on stream, will give it an ever larger share of total oil and gas income.

The Commission's mandate was to study ways in which this concentration of power in Statoil's hands could be diminished, without reducing the state's total income from petroleum activities.

Front-bench team named by Haughey

By Brendan Keenan in Dublin

The Irish opposition leader, Mr Charles Haughey, named his front-bench team yesterday. He has rewarded those who supported him in the recent struggle for party leadership, and dropped two former ministers.

However, two of his longest-standing opponents, Mr Desmond O'Malley and Mr Robert Molloy, received the Energy and Environment portfolios respectively.

Mr Haughey can, therefore, claim to be trying to heal the bitter divisions in his Fianna Fail party.

Among the major appointments were: Mr Brian Lenihan (deputy leader), Mr Gerard Collins (Foreign Affairs), Mr Michael O'Keefe (Finance) and Mr Albert Reynolds (Industry and Employment).

Three former ministers, Mr Ray Burke, Mr Patrick Power and Mr Gerard Brady, failed to receive even a junior portfolio. Mr Brady, however, said yesterday he had asked not to be appointed.

OECD PRESCRIBES ECONOMIC RESTRUCTURING

Dutch warned about social spending

BY WALTER ELLIS IN AMSTERDAM

THE DUTCH Government must take urgent steps to restructure the Netherlands' social and economic systems, says the Organisation for Economic Co-operation and Development. Only if the "explosive" rise in social expenditure is curbed and industrial investment encouraged can the country look forward to economic recovery and lower unemployment in the medium term, the organisation says in its latest survey of the Netherlands.

This year, however, a choice will have to be made between reducing the public sector deficit and cutting the taxation of business and investment.

These are among the main conclusions of the survey, which gives broad support for the policy objectives of the centre-right government, led by Mr Ruud Lubbers.

As one of the world's foremost trading nations, the Netherlands is more dependent than most on the growth of the world economy and demand. In this context the OECD notes that the total foreign markets of Dutch industry are unlikely

to grow by more than 2 per cent this year. Moreover, because of what is described as a failing in recent years to match improvements in competitiveness with a larger market share, no growth is expected in the volume of exports of manufactured goods in 1983.

Food exports have been very strong, however, and gas exports are likely to stabilise after recent falls. These factors could contribute to an overall 1 per cent growth in exports, the survey says.

The cumulative effect of improvements in competitiveness are expected to hold the growth in imports this year to 1 per cent above the 1982 level and to push up domestic output by 0.5 per cent.

Gross domestic product should fall in real terms by 1.5 per cent, compared to an estimated drop of 1.25 per cent last year.

The OECD notes with approval the spectacular reversal of the current account deficit. In terms of the balance of payments, a deficit equal to 1.5 per cent of GNP in 1980 has turned into a 4 per cent surplus in 1982. This year the surplus

DUTCH ECONOMIC INDICATORS (Percentage changes, 1977 prices)			
	1981	1982	1983*
GDP	-1.2	-1.2	-1.4
Gross fixed invest.	-10.8	-3.9	-1.8
Exports	0.9	0.2	1.4
Imports	-7.4	-0.2	-0.6
Current acc. (% bn)	7.8	16.5	20.0
* Estimated			

Source: OECD

is forecast to reach 4.75 per cent.

Part of the reason, however, is the sharp fall in investment in recent years and the stagnation of domestic demand.

Unemployment, which reached a seasonally adjusted 15.9 per cent last month, is a crucial question for the Government the OECD says. Even the modest recovery of industrial exports is not increasing jobs but is being absorbed entirely by productivity growth.

No fall in the rate of increase of unemployment is expected this year, and the total of job-

less over the 12 months is forecast at 730,000-750,000.

The survey emphasises repeatedly what is seen as the adverse effects on the economy of the rapid growth of the public sector—especially the explosive rise in social expenditure, which in many ways has reduced the efficient operation of the economy, notably the labour market.

The OECD argues that greater market flexibility is a necessary precondition for industrial recovery, "and this implies that there is a need for greater differentiation between pay for various forms of work, professions and branches."

The Government is committed to reducing public sector employees and is instituting substantial cuts in social services. This is applauded by the OECD, which nevertheless foresees problems for a society used to growth and a high degree of state protection in adversity.

The Government has confirmed that this year's budget deficit is likely to reach some Fl 40bn (\$9.7bn), or 13 per cent of national income.

Dates set for elections to EEC Parliament

By John Wyles in Brussels

THE EUROPEAN Community's 200m electors will be summoned to the polls between May 17 and May 20 next year for the second direct elections to the European parliament.

The electoral period, however, will be the only deliberately common element, as EEC governments have failed to agree on a uniform electoral system and on a franchise to be applied across the Community.

Foreign ministers decided the election period yesterday. It will run from a Thursday to a Sunday and thus accommodate the British tradition of going to the polls on a Thursday as well as continental preference for Sunday.

They also agreed to keep up their efforts to agree a common franchise, although it is too late for national parliaments to pass the necessary legislation in time for the next elections. The aim of the franchise discussions has been to arrange a system whereby all EEC citizens are given a vote no matter where they live in the Community.

The problem, however, has been to reconcile some governments' preference for the nationality principle and others for that of residence. At the two extremes, Ireland is totally opposed to allowing its citizens living overseas to vote for Irish MPs, while France does not want to give the vote to EEC citizens living within its borders.

Belgium has been seeking support for a compromise whereby all EEC citizens living and working within a member state would elect that country's MEPs.

Many MEPs fear a sharp drop in turnout in comparison with 1979 when 65.7 per cent of the electorate voted.

Pires takes over as head of Portugal's CDS party

BY DIANA SMITH IN LISBON

Sr FRANCISCO LUCAS PIRES, a 39-year-old lawyer, has been chosen as the new head of the Centro Democrático Social Party (CDS), Portugal's Christian Democratic party.

Sr Lucas Pires succeeds the CDS founder and its most eminent figure, Prof Diogo Freitas do Amaral, who abandoned political life in December, visibly disillusioned with the decline of the centre-right Democratic Alliance (AD), which he established together with the late Sr Francisco Sá Carneiro, the Social Democrat leader.

As head of the CDS political committee, Sr Lucas Pires—now Minister of Culture in the caretaker Balsemão Government—shares responsibility for the party's direction with Prof Adriano Moreira and Sr Basilio

Horta, respectively the new heads of the CDS and Congress.

The presence of Prof Adriano Moreira, Minister for Portugal's Overseas Colonies under the Sáiz e Sáiz government, and a prominent right-wing jurist, at the head of a major CDS body has been interpreted as indicating a sharp shift to the right for the party.

Sr Lucas Pires has appealed for a renewal of the AD which received a mortal blow from the December resignations of Prof Freitas do Amaral and Sr Francisco Balsemão, the Social Democrat premier. There are, however, signs that the Social Democrats may prefer to throw in their lot with the Socialists of Sr Mário Soares, who are expected to win the April election, although without an overall majority.

Survey casts doubt on German work myth

BY JOHN DAVIES IN FRANKFURT

WEST GERMANS, generally regarded as diligent and industrious workers, actually spend less time at their jobs than the French and Italians and much less than the Japanese, concludes a survey made by the Institute for the German Economy.

The institute did the survey in 1981 and has published it just as the West Germans are hotly debating shorter working hours and early retirement as ways of cutting unemployment.

West Germans are supposed to work a 40-hour week, the institute says. But taking into

account holidays and time off for illness, accidents, treatment at health cure resorts, maternity leave and other in-explicable reasons, they actually work on average only 31.2 hours.

This is less than the 31.6 hours worked on average in 1979, when the institute conducted a similar survey.

Surprisingly, it is also less than the 32 hours which the French and Italians spend at work. The Japanese remain at the grindstone for 40 hours, although the Swedes spend barely 30 hours at their work.

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OVERSEAS NEWS

Australian Labor unveils prices, incomes pact

BY MICHAEL THOMPSON-NOEL IN SYDNEY

THE AUSTRALIAN Labor Party (ALP) yesterday unveiled its long-awaited prices and incomes agreement with the trade unions as the March 5 general election campaign entered a new and bitter phase.

With only 11 days in which to demolish Labor's commanding lead in the opinion polls, the ruling Liberal-National Party coalition partners launched a concerted attack on Labor yesterday.

In turn, Mr Bob Hawke, the ALP leader, accused Mr Malcolm Fraser, the Prime Minister, of "gross fraud" and "deception" for leaking an incomplete version of Labor's prices and incomes policy.

The policy was endorsed by the 185 affiliated unions of the Australian Council of Trade Unions (ACTU) yesterday.

On the stock market, shares sagged in the wake of Saturday's sweeping state election win for Labor in Western Australia, where the swing against the government was an estimated 8.3 per cent.

The All Ordinaries index lost 12.4 points (2.4 per cent) at 504.8, while the Metals and Mining Index fell by 23 points, or 4.3 per cent.

The ALP-ACTU prices and incomes policy seeks a concerted attack on inflation and unemployment and covers wages, non-wage incomes, taxation, prices, and industrial relations.

It proposes price surveillance machinery—but not price controls—as well as a return to centralised wage fixing and the involvement of employers in an economic planning advisory council.



Hawke... accused Fraser of fraud over leak

Its theme is national co-operation and consensus and includes an acknowledgement by the unions that in the current climate wage rises may have to be deferred. An incomplete version was leaked by Mr Fraser on Sunday.

Yesterday, however, the government launched a full-scale attack on the agreement. Mr Fraser claimed the ALP had "sold out" to the unions, while Mr Doug Anthony, the leader of the National Party, who is also deputy prime minister, said the agreement would produce state control of prices, incomes, finance, and investment.

"There would be a national economic planning mechanism—an octopus stretching its tentacles into almost every aspect of economic activity," said Mr Anthony.

Mr Andrew Peacock, the Minister for Industry and Commerce, said the plan would need "an army of bureaucrats," while Dame Margaret Gullfoyle, the Finance Minister, claimed in Perth that unemployment and interest rates would suffer disastrously if Labor's plans were adopted.

Insurance claims relating to last week's bushfires in Victoria and South Australia already amount to A\$130m (£81m), according to the Insurance Council of Australia. Average claims in Victoria are around A\$50,000, for a total of A\$80m, and in South Australia, around A\$60,000, for a total of almost A\$50m.

The fires, which killed 71 people, were Australia's worst disaster since Cyclone Tracy devastated Darwin in December 1974.

Most claims to date have been for private houses, though the fires also destroyed many farms and small businesses.

According to preliminary figures compiled in Canberra, the fires caused immense damage to farming interests, with an estimated 300,000 hectares of pasture destroyed, 335,000 sheep and 18,000 cattle killed, and almost 2,000 properties burnt-out or damaged.

There is a serious shortage of fodder, with about 30,000 bales of hay needed daily to feed surviving livestock.

Hong Kong awaits new budget strategy

By Robert Cottrell in Hong Kong

HONG KONG'S budget for financial year 1983-84 will be presented tomorrow by Mr John Bremridge, financial secretary. Both the budget for the coming year and Mr Bremridge's preliminary review of the financial year now ending are expected to be relatively sombre.

A substantial budget deficit—Hong Kong's first since 1974-75—is expected to have been incurred in 1982-83, reflecting the collapse last year in local land prices. The sale of leasehold interests in crown land is a major source of revenue for the government. Attention will focus on plans to steer the coming year's budget towards a balance. Higher indirect taxes are widely expected. Pre-budget uncertainty is credited with contributing towards a duller tone in stock market trading yesterday. The Hang Seng index shed 6.53 points to close at 953.52 after rallying strongly last week.

Mr Marcos said the ruling party, the New Society Movement, had agreed to support Mr Virata, who is also Finance Minister.

Under the constitution, when Mr Marcos leaves office, the Philippines will be governed by a 10-member executive committee headed by the Prime Minister and including Mrs Marcos.

Mr Marcos, 65, was re-elected for six years in 1981. He came to power in 1965.

World Bank agrees Philippines loan

THE World Bank has agreed to extend a \$300m 20-year loan to the Philippines as part of its lending programme to developing countries with balance of payments problems, the Central Bank announced. Reuter reports from Manila.

Indian parliament suspends normal business

BY K. K. SHARMA IN NEW DELHI

STUNNED members of both houses of the Indian Parliament yesterday debated the weekend's massacre in the north-eastern state of Assam after suspending all normal business scheduled for the opening day of the three-month budget session.

The violence came during attempts to hold the final round of local elections at Nellie in Nowong district, and an estimated 1,000 Bengali immigrants and others—mostly old people, women and children—were killed.

The news made for a grim debate, in which the Government and opposition angrily blamed each other for the carnage. The massacre was in protest against the inclusion of large numbers of immigrants from Bangladesh on the electoral roll.

Mrs Indira Gandhi, the Prime Minister, was not present as she flew to the scene of the disaster early in the morning to spend the day visiting areas worst affected by the demonstrations against elections in Assam. She returned to New Delhi last night and is expected to make a statement to parliament today.

Mrs Gandhi's visit was made amid heavy security provided by large contingents of the army and para-military forces, which are patrolling the most troubled parts of Assam to check further violence.

The agitation continued, however, even in Gauhati, the capital of Assam, where a general strike was held in protest against Mrs Gandhi's visit.

Some balloting had been postponed because of the violence. This was completed yesterday, but the voter turnout was reportedly even thinner than in the three days in which elections were supposed to have been completed. It is estimated that less than 10 per cent of the electorate cast votes in what is thought to be the bloodiest election ever to be held in India.

Counting also started and the first five seats in the 126 Assam legislature went to Mrs Gandhi's Congress (I) party, which seemed set for what will be a hollow victory in view of the violence and low turnout.

In parliament, Mr P. C. Sethi, the Home Minister, sought the co-operation of all parties in restoring normalcy to Assam. But opposition members, particularly those whose parties have boycotted the elections, launched a powerful onslaught against the Government for not preventing the blood-bath.

Many feared that the events would leave a permanent scar on India's turbulent north-eastern flank and that violence could spread to other parts of India, also in the grip of separatist movements.

THE Zimbabwe Government may prosecute Mr Joshua Nkomo, the Zapu opposition leader, on charges of bringing the police and army into dispute.

Mr Nkomo, who was temporarily detained at Bulawayo airport on Saturday and prevented from leaving the country, said yesterday that police had told him he faced possible prosecution under the country's law and order maintenance legislation and currency laws.

Mr Nkomo, 63, has strongly criticised the military for the tactics being used to crush banditry and dissident activity in his home province of Matabeleland in western Zimbabwe.

Mr Nkomo said, however, that he had not yet been charged, though the police are still holding his air ticket and passport confiscated on Saturday.

Mr Nkomo says he was going to attend a world peace conference in Prague, but the Zimbabwe Government claims he was heading for South Africa and was travelling under an assumed name.

Mr Nkomo admits that he was travelling to Prague via Johannesburg, where he was to catch a Swissair flight.

The Zimbabwe Government has frequently accused South Africa of backing the dissident campaign in Matabeleland. Mr Nkomo himself has frequently disowned the campaign and appealed to the young militants to lay down their arms.

Yesterday, Mr Nkomo said he still intended to attend the Prague peace conference. "I will leave in a day or two," he said, adding "this is my right under the constitution. They can send me to jail if they like."

Meanwhile in Harare, Dr Bernard Chidzero, the Minister of Finance, who recently returned from talks in Washington with the World Bank and the IMF, announced that the World Bank had agreed to help finance phase two of the Hwange (formerly Wankie) thermal power project.

Mr Chidzero said the World Bank had given a loan of \$105m (\$69m)—about one-quarter of the total cost of the project.

PEKING — China's de facto head of state, Marshal Ye Jianying, 83, will soon retire from the Communist Party leader Hu Yaobang was yesterday quoted as saying.

A Japanese trade union chief, Mr Motofumi Makida, said he had told him that Peng Zhen, 80, a leading moderate in the Chinese leadership, would replace Marshal Ye.

Peng will become acting chairman of the National People's Congress. China's parliament, until the Congress holds a full meeting in May or June, Mr Makida said.

Hu said yesterday in the central city of Wuhan that Marshal Ye would retire at a meeting of the standing committee of the congress opening this Friday, according to Mr Makida.

Mr Makida, chairman of the General Council of Trade Unions of Japan, said Hu indicated that Marshal Ye's planned resignation was part of the rejuvenation of the Chinese bureaucracy, a key plank in the current leadership's modernisation programme.

Marshal Ye, clearly ailing, has been attended by nurses on his rare recent public appearances. He is in the middle of a well-known of China's strong man, Deng Xiaoping, and a major obstacle to Deng's programme for eliminating Maoist influences.

His chief constituency is in the army, main bastion of the military, and he has been a source of badly needed financial aid.

His political enemies pillory the president as a slow-moving man addicted to the pleasures of the table. A further complication in the way of decreeing austerity is that the Government is in the middle of a bitter campaign which leads up to December's presidential election.

Nevertheless, the Government realises that belts will have to be tightened soon. A number of major capital projects such as the canal and complex for the state of Zulia, may have to be put off and the development of the heavy oil locked in a belt of land along the Orinoco River delayed.

It is perhaps to prepare Venezuelans for the belt tightening to come that President Herrera is exhorting his people to work harder and combining his exhortation with an appeal to nationalism.

In this bicentennial year of the birth of Simon Bolivar, Venezuela's national hero who freed the country and much of northern South America from Spanish rule at the beginning of this century, the appeal to nationalism is at its most potent. It remains to be seen however whether any political appeal will make Venezuelans change the habits they have acquired over more than half a century of easy life.

Bahrain seeks new fund sources

BY OUR BAHRAIN CORRESPONDENT

BAHRAIN'S MINISTRY of Finance is urgently examining ways of raising funds to compensate for falling oil revenues, on which the state depends for 70 per cent of its U.S.\$1.7bn (£1.1bn) 1983 budget.

Under-secretary Isa Borschaib yesterday ruled out both recourse to the international banking market and any form of income-tax (other than the existing tax on oil company profits). But Bahrain is giving serious consideration to a third issue of development bonds, in which locally-based banks have expressed an interest.

In 1977 and 1978, the Government raised BD20m (U.S.\$52m) by this means. Already Customs duties on imported cars have been increased from 10 per cent to 20 per cent, and on alcohol from 70 per cent to 100 per cent. Increases in commercial registration and licence fees are also being studied.

A number of government projects are expected to be postponed, and the economic feasibility of the projected \$100m Gulf Aluminium Rolling Mill, which is supported by six regional governments, including Iraq, is to be re-assessed.

Income from the Abu Safa oil field, which Bahrain shares with Saudi Arabia, is likely to have been affected by production cuts, and could be further reduced if the Saudis significantly cut their market price.

But in the present depressed state of the oil products market, it has become uneconomic to process Saudi crude at \$34 a barrel through the 250,000 b/d Bahrain Petroleum Company (Bapco) refinery, in which the Government is a 60 per cent shareholder with Caltex.

AMERICAN NEWS

Canada and U.S. at odds on joint acid rain controls

BY NICHOLAS HIRST IN TORONTO

CANADA has suffered a serious blow in its attempt to persuade the U.S. to enforce pollution cutbacks on its industry to prevent acid rain damaging Canadian lakes, rivers and forests.

American scientists, in a joint U.S.-Canadian study have failed to agree with the Canadian contention that the problem would necessarily be alleviated by cutting back sulphur-based emissions by 50 per cent.

In the joint study, released by the Canadian Government yesterday, both Canadian and U.S. scientists said acid rain is mainly caused by windborn sulphur dioxide produced by industry on both sides of the border. They also agree that the acid rain damages water and plant life. Canadian officials estimate that between 70 and 75 per cent of the pollutants come from the U.S.

But the U.S. scientists have now accepted that the damaging effects from acid rain seen in the hundreds of lakes and rivers, from New England to Nova Scotia covered by the report apply to all regions that lie in the path of the pollutants.

At a press conference in Toronto, Mr John Roberts, the Canadian Environment Minister, said the U.S. scientists "are not agreed on the action that should be taken as a result of what the scientific evidence showed."

Canada has been pressing hard for the U.S. to bring in legislation that would reduce the damaging airborne pollution by 50 per cent by 1990.

Canada has unilaterally decided to reduce its pollution emissions 25 per cent by 1990, but wants the Americans to agree a 50 per cent cutback before taking that action itself.

Canadian negotiators have constantly run up against the Reagan administration's desire to reduce rather than increase controls of industry. The Canadians feel that the American scientists' report has been politically biased.

"I believe that anyone looking at this evidence dispassionately would think we would need a reduction of 50 per cent," Mr Roberts said. He found it inexplicable that the Americans had not agreed.

But he thought there had been a change in the attitudes of the U.S. congress to pollution problems during the past couple of years.

The scientific evidence in the report is now to be examined by new scientific teams in both the U.S. and Canada.

Mr Roberts said he was confident the Canadian review which would include international scientists would confirm the Canadian view that a 50 per cent cutback was needed.



Mr Walter Mondale

Mondale in race to be President

By Reginald Dale, U.S. Editor in Washington

MR WALTER MONDALE finally made it official yesterday. The former Vice-President in the Carter Administration formally entered the 1984 race for the White House, putting himself at the head of a list of half a dozen possible Democratic candidates.

Mr Mondale has long been regarded as the Democratic front-runner, outdistancing his nearest rival, the former astronaut Senator John Glenn of Ohio, by two-to-one in the opinion polls.

If he makes it through to election day in November 1984, he will have spent about three years on his campaign.

Last year Mr Mondale visited 38 states, campaigned for about 150 Democratic candidates and raised more than \$2m (£1.3m) in personal campaign funds.

Although the first primaries are still a good year away, Mr Mondale kept up the pace yesterday. After officially announcing his candidacy in his native Minnesota, he set off on a four-day campaign taking him to the important primary states of Iowa and New Hampshire.

Mr Mondale is the third candidate officially to enter the Democratic race, after Senator Alan Cranston of California and Senator Gary Hart of Colorado. Other possible candidates, apart from Mr Glenn, include Senator Ernest Hollins of South Carolina, Senator Dale Bumpers of Arkansas, and Mr Reubin Askew, former Governor of Florida.

Venezuela has to work harder for its living

BY HUGH O'SHAUGHNESSY



President Herrera Campins

"THIS IS NO way to build a nation... Combat laziness," say the government sponsored posters spread around on prime sites in Caracas, the Venezuelan capital. The swift downward slide of the international price of oil, Venezuela's principal, indeed almost only, export, the suspension of foreign currency dealing on Sunday, and the possibility of exchange controls and increased import curbs today are bringing home to Venezuelans up short. Hard times are certainly coming to a country which never had to work very hard for its living and bringing added urgency to the campaign by the government to President Luis Herrera Campios to get Venezuelans to exert themselves more.

Venezuela is caught in a bind. Exports of oil are 12.5 per cent below the target of 1.6m barrels a day set for this year, and while volume is dropping, so is the price per barrel sold. Few observers think that the oil export revenue target of \$16.2bn this year will be met, despite the best efforts of Petroleos de Venezuela, one of the country's few efficient public sector undertakings, which has an oil production monopoly.

Given that oil provides 94 per cent of export revenue and about three-quarters of the government's income, the drop in oil is a savage one. It comes on top of a year during which the balance of payments swung from a surplus of \$3.2bn in 1981 to a deficit of \$3bn, when exports fell 10 per cent in value and the gross national product per capita fell by 3.3 per cent.

As the country falls into increasing difficulties with its oil exports, the ghost of the lavish borrowing it indulged in during the oil boom has come back to haunt it. With the foreign debt approaching \$30bn the Government is in no position to find the \$9bn that debt servicing will demand this year.

Mr Arturo Sosa, Finance Minister, was in London last week combing the banking world for some indication that lenders were willing to refinance some of the \$9bn.

As a flight of capital built up in Caracas he had hurriedly returned home to consult with Cabinet colleagues about the financial crisis. Speculation was rife that the present parity of the bolivar, just under 4.3 to the dollar, would not be maintained at exchange controls and import curbs would be imposed. After a Cabinet meeting late on Sunday night the foreign exchange markets were closed until tomorrow.

While the uncertainty lasts, foreign exchange is draining away fast. Though the Government puts the gross reserves at something near \$9bn, these have been dropping at the rate of \$500m a week. The bolivar, which was once Latin America's most solid currency and which circulated in the 1960s in the form of large silver coins, is now losing its strength.

All this is a bewilderingly new situation for Venezuelans to face. Until the growth of an oil industry in Venezuela in the 1920s, the country made a modest living out of exports of cocoa. The arrival of the major international oil companies provided the government and the country with a new, painless way of making a much better living without too much effort.

The foreign companies found, pumped and refined the oil and even at prices which were only a fraction of present prices, oil provided a handsome income for a great many of the relatively small population which even today does not reach 15m people.

The oil boom of the 1970s—combined with the nationalisation of the oil industry in 1976—provided undreamt of quantities of new money dwarfing any other economic activity in the country.

Venezuela's wealth attracted several million immigrants from neighbouring Colombia who, despite periodic drives by the police, live illegally in the country and do those menial jobs which native Venezuelans are unwilling to undertake.

The average Venezuelan has had little experience of preparing for a hour of hardship. Nor, it might be added, has President Herrera's Christian Democratic government given much lead so far.

Rightly or wrongly, the administration elected to office in 1979 has given the impression of doing little to stamp out widespread corruption, prune an overladen government payroll of 1.2m of whom about half are unnecessary, tighten up the administration of inefficient public sector industries and set an example of administrative

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Canadian budget deficit will rise, says Lalonde

OTTAWA—Canada's budget deficit in fiscal 1983-84 will surpass the current year's deficit of C\$27.2bn (£14.4bn) even if the Government takes no steps to stimulate the economy, Mr Marc Lalonde, Finance Minister, said.

"I think there is still need for some additional stimulation in the budget," he added. He is expected to present it in March or April.

Last Thursday, Mr Lalonde forecast a deficit of C\$27.2bn in the fiscal year to March 31, up from earlier predictions of \$23.6bn.

He said Canada's gross national product fell by nearly 5 per cent last year, more sharply than had been predicted in October.

Mr Lalonde based his forecast of a larger deficit on the belief that the unemployment rate, now 12.4 per cent, will remain high, and therefore welfare costs will also go up.

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Many U.S. manufacturers 'use foreign equipment'

NEW YORK—A majority of U.S. manufacturing companies are using foreign-made equipment in their U.S. operations, most frequently because of its quality, according to results of a survey released by the Commerce Board.

Lower prices of imported machinery and the lack of availability of a U.S.-made counterpart were also cited by executives who bought equipment abroad, the study by the business-financed research group said.

The findings indicated that a perception has grown among U.S. executives that the U.S. is falling behind technologically in some areas outside their own industries.

Most of the executives, even those who said they believed they were ahead of their foreign counterparts, felt it was important to monitor technological improvements.

A total of 508 U.S. companies were surveyed for the study, and 83 per cent reported they used some foreign-made equipment in U.S. production.

Foreign-made machinery is most often used by the largest U.S. companies, the study said. Foreign companies were said to be ahead of, or rapidly gaining on, U.S. companies in aircraft, automobiles, computers, electronics, machine tools, robotics and steel.

Japan is most frequently cited as having a technological lead in electronics, but West Germany, Israel, Singapore, the UK and the Soviet Union were also cited as being ahead in one or more areas.

Reshuffles mooted in China

PEKING — China's de facto head of state, Marshal Ye Jianying, 83, will soon retire from the Communist Party leader Hu Yaobang was yesterday quoted as saying.

A Japanese trade union chief, Mr Motofumi Makida, said he had told him that Peng Zhen, 80, a leading moderate in the Chinese leadership, would replace Marshal Ye.

Peng will become acting chairman of the National People's Congress. China's parliament, until the Congress holds a full meeting in May or June, Mr Makida said.

Hu said yesterday in the central city of Wuhan that Marshal Ye would retire at a meeting of the standing committee of the congress opening this Friday, according to Mr Makida.

Mr Makida, chairman of the General Council of Trade Unions of Japan, said Hu indicated that Marshal Ye's planned resignation was part of the rejuvenation of the Chinese bureaucracy, a key plank in the current leadership's modernisation programme.

Marshal Ye, clearly ailing, has been attended by nurses on his rare recent public appearances. He is in the middle of a well-known of China's strong man, Deng Xiaoping, and a major obstacle to Deng's programme for eliminating Maoist influences.

His chief constituency is in the army, main bastion of the military, and he has been a source of badly needed financial aid.

Italy wary of joining in A-320 project

By James Daxton in Rome

ITALY DOES not expect to decide for several months whether to join the European Airbus consortium and participate in the proposed A-320 150-seat airliner, but the Government has doubts whether to take a stake would be an economic proposition.

The Italian Government and certain Italian companies are to step up talks about possible collaboration in the electronic, electro-mechanical and nuclear engineering fields. This follows the visit to Paris last week of Sig. Amintore Fanfani, the Italian Prime Minister.

The official Italian view is that, if other conditions were equal, it would prefer to take part in a European rather than an American aircraft project for the new generation of 150-seat airliners, for which the European contender is the A-320.

In practice, Italy is discouraged by the large investment cost of the A-320 project, which is especially high because of the need to develop a new engine.

Furthermore the national airline, Alitalia, does not at this stage see a need to buy the aircraft, which will not be available before 1990. It recently decided to re-equip its fleet with 30 McDonnell Douglas DC9 series 80 aircraft, and has taken an option on a further 10. These will start arriving later this year.

The largest Italian aircraft manufacturer, the State-owned Aeritalia, works closely with both Boeing (it is a partner in the 767 project) and McDonnell Douglas, and could expect to be involved in the Boeing 7 Dash 7 project for an aircraft to match the A-320.

Sig. Fanfani, who came under strong French pressure to join the A-320 project, told President Francois Mitterrand of France that Alitalia would consider buying some more A-300 wide-bodied aircraft from the Airbus consortium.

Sig. Filippo Pandolfi, the Italian Industry Minister, said at the weekend that French and Italian ministers, and representatives of the Italian electronic companies, Olivetti, Italtel and Zanussi, and the French state-owned concerns, Cit-Alcatel, St Gobain and Thomson Brandt, will soon meet in Paris.

Why the French sounded the Airbus alarm

BY DAVID MARSH IN PARIS

THE CONTROVERSY in France over the direction of the Airbus programme underlines the high stakes being played for by both French industry and the Government in shaping the future of the airliner consortium.

M. Bernard Lathiere, the Airbus Industrie chairman, was forced to call a press conference earlier this month to refute suggestions that the 12-year-old pan-European venture was suffering a terminal illness.

The controversy was sparked by the leak last month of a letter to French government ministries from Gen Jacques Mitterrand, the chairman of Aerospatiale, the nationalised

aerospace group which is the French partner in Airbus.

The letter — qualified by Aerospatiale as a "technical note" — intended to prepare the way for a meeting between French and German civil servants — painted an alarming picture of falling Airbus orders, and blamed German and British banks for providing insufficient backing to sell the company's aircraft abroad.

M. Lathiere said the missive was a "present" worth millions to rival constructors like Boeing and McDonnell Douglas. The Airbus chief has just returned from a sales trip to Brazil, where already, he said, the letter's publication

was being used by the opposition to "knock" the Europeans.

M. Lathiere said the Airbus order book last year registered a net rise of six aircraft (17 sold with 11 cancelled — by Laker Airways, Singapore International and Thai Air) — not the loss of two reported by Gen Mitterrand.

The difference between the public statement of M. Lathiere and the private (at least in intention) thoughts of Gen Mitterrand at first sight seems difficult to reconcile.

In fact, the two men seem to be aiming for the same objective, although using different tactics. Both Airbus

and Aerospatiale (which relies on Airbus activities for about 18 per cent of its total sales) are seriously concerned that, with competition for international air sales honed razor sharp by the recession, American competitors are stealing a march by offering preferential export credit terms.

Hence M. Lathiere's call for a European version of the U.S. Export-Import Bank to integrate procedures for arranging Airbus export credits. (At present these are made through three different government agencies, Coface in France, Hermes in Germany and

Britain's Export Credits Guarantee Department in the UK,

using funds from three different banking systems).

Hence too General Mitterrand's swipe at German banks — the Airbus lead bank in Frankfurt, Dresdner, is especially pre-occupied with loans to the East bloc and AEG Telefunken — for giving insufficient support.

Aerospatiale officials point out that following the fall in U.S. interest rates, export sales of American aircraft can be financed at cheaper credit costs and over longer loan repayment periods — 12 or 15 years, compared with 10 in Europe — than Airbus.

The export financing dilemma for Airbus has been further emphasised by the dispute which

emerged last week over a possible Brazilian order for the wide-bodied aircraft. Vesp, the Brazilian regional airline, is trying to force European banks providing Airbus finance to stump up extra cash for Brazil's air navigation system, being re-equipped under a recent large order clinched by the French Thomson group.

The dispute is ironic because French aircraft industry executives say they are worried about cut-price loans being offered by Brazil to finance its own aircraft sales abroad. Recently the Brazilian aircraft manufacturer Embraer clinched an order with the small French airline Air Littoral.

S. Korea to ease foreign participation

South Korea will gradually remove restrictions to achieve greater liberalisation of foreign equity investment in the nation's electronic industry and imports of related technology by 1991, according to a Commerce and Industry Ministry plan, AP-DJ reports from Seoul.

Foreign investment in South Korea is currently subject to partial regulations in many cases, and imports of foreign technology by Korean businesses require prior Government approval.

Officials said the electronics plan will stress medium-sized computers, video tape recorders, digital integrated circuits, industrial robots and medical appliances.

With the help of liberalisation and other measures, the Ministry hopes to increase the nation's annual electronics exports to \$7bn by 1986 from the present annual level of \$2.3bn, the officials said.

Singapore talks

British and Singapore civil aviation officials opened talks yesterday in an effort to break an impasse in negotiations for a revision of their five-year-old air services agreement.

Officials at the meeting said the two sides had agreed not to disclose any details of proposals tabled until the talks end on Wednesday.

But it was reported that Singapore would offer to give up passenger rights on three routes out of the British colony of Hong Kong in return for more flights to Hong Kong and London.

Taiwan cargo line

Taiwan will begin a second cargo shipping service to Europe on March 14, a shipping official said yesterday, AP-DJ reports from Taipei.

An official of the state-run Yangming Marine Transport said it was important for Taiwan to expand its business links with European nations to offset the break in diplomatic ties between Taiwan and the U.S. in 1979.

The new cargo service will involve four container ships travelling to and from Italy, West Germany, the Netherlands, Britain, France and Belgium, none of which has diplomatic ties with Taiwan.

Airbus Industrie's plans are threatened by customers' short-term needs, writes Michael Donne

U.S. makers take advantage of Europe's jet lag

BRITISH AIRWAYS' recent decision to seek quotations from U.S. aircraft manufacturers (at least initially) to meet its looming need for up to 20 smaller jet airliners seating up to about 150 seats each, rather than consider the projected European Airbus Industrie A-320, highlights the difficulties the European group is having in getting its new jet project rolling.

Airbus Industrie, in which British Aerospace has a 20 per cent stake, has been successful selling its A-300 250-seat jet airliner, and its smaller A-310, to world airlines. But like every other airliner builder, it has been hit by the recession, which has virtually dried up new orders from cash-starved airlines.

The France-based company, as well as Boeing and McDonnell Douglas in the U.S., know that the world's airlines will need a new 150-seat advanced technology jet. But it has to face the fact that no one now is prepared to commit the \$3.5bn needed to finance development of both airframe (\$2bn) and new engine (about \$1.5bn).

The recession is prompting many airlines to replace their ageing fleets with existing available jets, such as the Boeing 737 or the McDonnell Douglas DC-9 Super 80, or derivatives of those aircraft, such as the advanced Boeing 737-300, that could become available in 1984. Many airlines are in the same position as British Airways itself, faced with new noise legislation that will become effective in the UK on January 1 1986 or from January 1 1988 in other EEC countries, rendering much exist-

ing equipment unacceptable; they need to settle re-equipment plans soon. The British Airways plan is initially to look at Boeing 737s and McDonnell Douglas DC-9-82s, because the A-320, even if launched soon, will not be ready in time to meet BA's requirement for small jets by 1986. It may well consider the A-320 for a later tranche of re-equipment, but, like other airlines, is tending to look at current models or derivatives, not just because they are available, but also because they are cheaper.

This situation is a frustration to Airbus Industrie, which is anxious to get on with its A-320 150-seater for a variety of reasons.

Its logical desire is to exploit what it believes to be a substantial likely market (perhaps as many as 1,000 aircraft world-wide by the mid-1990s).

It also believes that if Europe

wants to stay in the civil airliner business at all, it must widen its available choice of aircraft beyond the A-300 and A-310 into a "family" of jets capable of meeting whatever its rivals can offer. The A-320 is the first step forward in that strategy.

Over the past two years or so, Airbus Industrie has been lobbying hard for support from airlines for orders, and for cash aid from the governments for its partner countries — Britain, West Germany and Spain as well as France. So far, only the French Government has agreed to support the venture, together with what is described as a "firm" contract from Air France for 25 A-320s. But so far, every-

one else has held back.

This is largely due to the lack of orders or any significant airline interest, which is making governments cautious about investing the cash for the airframe and engine. They want to see enough orders emerging to ensure a commercial return on their investment before committing themselves. Airbus Industrie's problem is that until the project is launched formally, which cannot happen until government cash is forthcoming, no orders are likely to emerge. Breaking out of this vicious circle is the biggest task now facing Airbus Industrie, involving much patient negotiation and persuasion of airlines

and governments alike.

What worries Airbus Industrie is that time is slipping away. Originally, it had planned to get the A-320 rolling in time to enter service by 1986 — which would have enabled it to meet the "mini re-equipment tide" to beat the new noise regulations. But the recession, which has been much more severe for the airlines than anyone imagined, has already forced a slippage to 1988, and Airbus Industrie believes that if there is much more delay, the A-320 might not be in service until 1990.

The European group has other difficulties. One is getting agreement from its existing

partners (and prospective additional partners such as Canada, Italy, the Netherlands and Japan) on who will contribute what, and how the work-sharing will be divided. Airbus claims that if everyone got what he liked, the project would be "over-subscribed" by at least 20 per cent.

This optimism masks the fact that in the UK and West Germany, there is still much government reluctance to put up any cash, because of the dubious sales outlook. In the UK, a series of options covering various percentages of work on the A-320, from making the wings (as with the A-300 and A-310), through to making the forward fuselage and flight deck, have been mooted with the Government.

These range in price from about £250m up to about £400m. On top of that, there is another bill for the UK's share of engine development, perhaps as much as another £250m for the RJ-500 engine, already partially developed by Rolls-Royce and the Japanese aero-engine industry, but now the subject of further collaborative discussions with Pratt and Whitney of the U.S. Fiat Aviazione of Italy and MTU of West Germany.

With a likely total investment starting at around £500m on one major commercial aerospace project alone, the UK Government is being understandably cautious.

The British Airways statement that, at least initially, it was not looking at the A-320 because it would not be available in time to meet that airline's immediate require-

ments is reflected in the comments of other airlines, and like BA, they are tending to look at current models or derivatives, not just because they are there, but also because they are cheaper.

The U.S. manufacturers say that when the time comes, they can swiftly switch from their existing models to produce competitors to any A-320.

Boeing, for example, is designing a "7 Dash 7" of its own, which would compete with the A-320, while it could also offer further derivatives of the 737 in the Series 400 and 500 versions with new engines and wings, or a shortened fuselage model of the 757. McDonnell Douglas has a design called the D-3300 which would also compete with the A-320, while it is also planning to continue with improvements to its DC-9 Super 80 line.

While the two U.S. giants continue to sell their existing products, they are not anxious to become enmeshed in any new programmes — especially Boeing, which still has to pay bills incurred in developing its 757 and 767 jets.

But that does not mean they are not prepared to jump into the market the moment that Airbus Industrie formally launches the A-320.

Any notion that Airbus might have of getting in first should be dismissed. Boeing has already spent \$40m on perfecting its "7 Dash 7" design, and its efforts on that project match in size and scope anything Airbus Industrie is already doing, even although as yet Boeing has not formally committed itself, and would prefer not to.



Airbus A-320: France's partners hold back.

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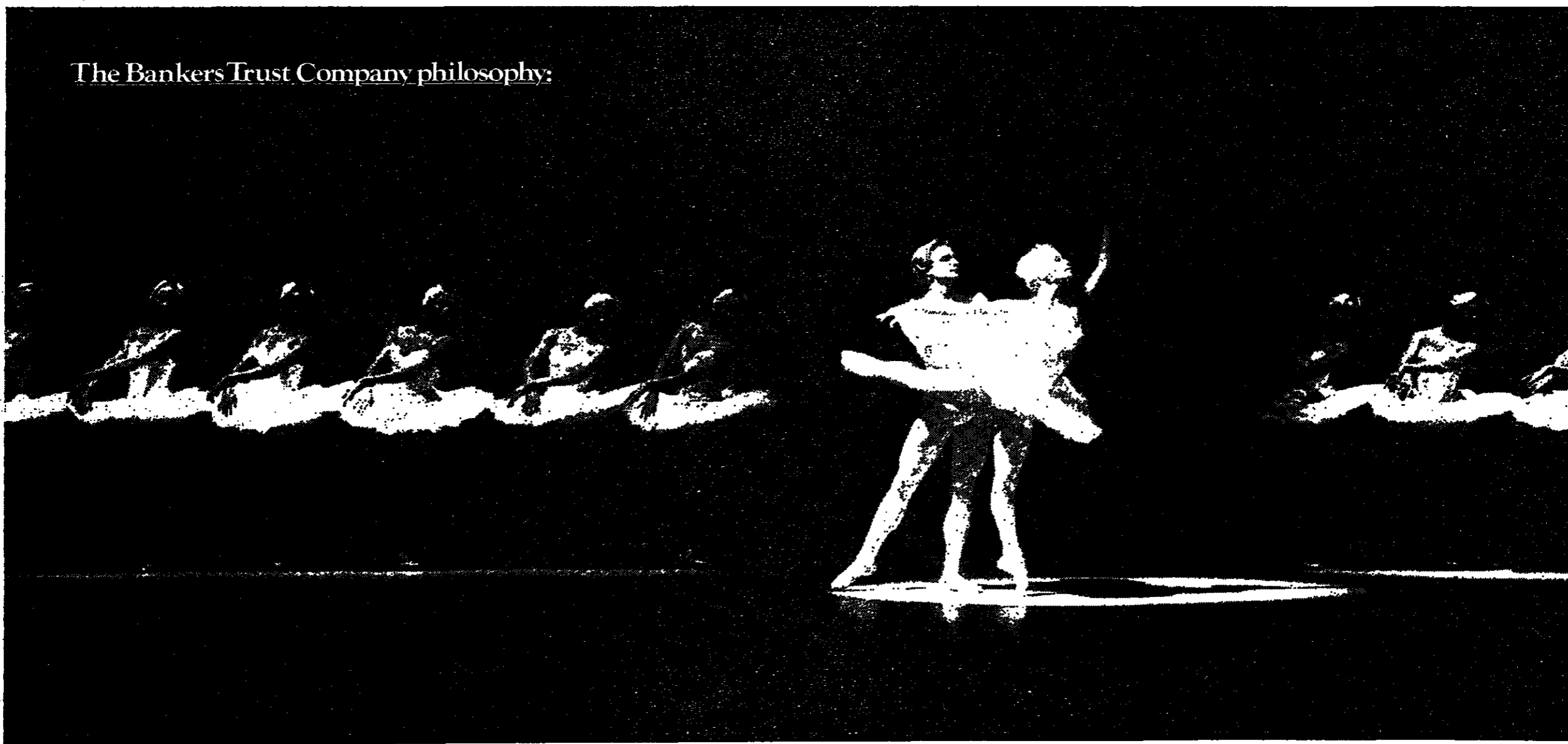


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UK NEWS

Lucas cuts capacity as car diesel deal fails

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE SLUMP in diesel car sales in the U.S. has led to the collapse of a deal between Lucas CAV, the UK diesel engine equipment manufacturer, and General Motors.

Lucas was to have supplied - along with Stanadyne of the U.S. - a highly-developed version of its DPA diesel rotary pump for use in the V6 Oldsmobile engine.

But demand for GM's diesel cars slumped 43 per cent from 305,000 to 174,000 last year and the U.S. group decided it did not need Lucas CAV as a second supplier. Stanadyne will now remain GM's sole source of rotary pumps.

If the contract had gone ahead it would have more than doubled the value of Lucas diesel engine equipment sold to GM to \$100m a year.

As a result of the failure of the deal, two Lucas CAV factories in the Medway towns of Rochester and Gillingham in Kent will be amalgamated with the loss of 195 jobs. The deal with GM, the world's

largest motor group, was concluded in the autumn of 1981 when the U.S. company expected its domestic diesel car sales to jump from 200,000 in 1980 to 1m by 1985.

There is now a great deal of uncertainty in the U.S. about the future for diesel car sales. Total demand sank nearly 38 per cent in 1982, from 510,700 to 318,850, so that the diesel element in new car sales fell from 6 to 4 per cent.

But while importers such as Mercedes and Volvo increased diesel car sales last year, "domestic" U.S. producers, GM and Volkswagen, saw them fall sharply. VW's diesel car sales plummeted by nearly 50.5 per cent - from 118,800 to just 48,100.

Lucas CAV has tied its fortunes in the U.S. closely with those of GM's diesel car business and so far GM is its only motor industry customer in the U.S. The DPA pumps were to have been shipped in kit form from the UK to Lucas CAV's

\$30m engineering and production centre at Greenville, South Carolina, for assembly.

The UK company said the Greenville facility is doing application work for future U.S. diesel engines and manufacturing the Lucas CAV microjetor miniature fuel injection equipment, which GM uses in all its diesel engines. "But output is not what we hoped for."

The Microjetor business with GM was worth around £20m in the best year so far - 1981. As part of Lucas CAV's previous consolidation, the Microjetor plant at Ipswich was closed in July last year with the loss of more than 200 jobs and production switched to Sudbury, also in Suffolk.

Not all Lucas CAV's diesel equipment business, however, is depressed. The French subsidiary Rotadial has increased output 20 per cent during the past year to cope with demand from Renault, Peugeot and Citroën.

MP ordered out of Commons after accusing minister

BY KEVIN BROWN, PARLIAMENTARY STAFF

MR DENNIS CANAVAN, a Scottish Labour MP, was ordered out of the House of Commons yesterday for claiming that Lord Cockfield, the Trade Secretary, would profit from the merger of Charter Consolidated and Anderson Strathclyde, which his department ruled could go ahead.

Mr Canavan was told to leave the Commons by the Speaker, Mr George Thomas, after refusing to withdraw an accusation that Lord Cockfield was "lining his own pockets."

His outburst underlines continuing Labour anger over the controversial merger. Anderson Strathclyde, the Scottish mining equipment manufacturer, has bitterly resisted approaches by Charter, a mining finance group with South African connections. Earlier this month it dropped a court action seeking to prevent the merger.

The Monopolies and Mergers Commission ruled against the merger, but was overruled by Mr Peter Rees, the Minister for Trade, to whom Lord Cockfield delegated the decision. It later emerged that Lord Cockfield owned 2,500 shares in Charter Consolidated.

Mr Canavan demanded that Lord Cockfield should come from the House of Lords to the Commons to answer MP's questions. The minister was, he said, jeopardising the jobs of more than 3,000 Scottish workers. Lord Cockfield had abrogated his ministerial duty "because he happens to be lining his pockets out of shares in a racist company."

Mr Canavan was twice instructed by the Speaker to withdraw his remarks. "No one can be an honourable man and a minister and be lining his pockets at the same time."

Verdict delayed in water inquiry

By Philip Bassett

AN END to the water strike, which was tantalisingly close last night, was again delayed yesterday amid differences over the issues behind the dispute and supposedly between members of the three-man team of inquiry.

The committee had met for a further session, this time seeing both the trade unions and employers' sides as strike action in the water supply and sewerage industry increased.

Mr Bill Keys, the union side's nominee on the committee of inquiry, indicated that there was a considerable difference of opinion between inquiry members.

There had been hopes that the strike would end yesterday once the inquiry had reached its verdict since union leaders had been given powers to authorise a return to work.

Lloyd's council agrees on disclosure of business interests

BY JOHN MOORE, CITY CORRESPONDENT

MEMBERS of the ruling council of Lloyd's of London, the insurance market, yesterday agreed to make full disclosure of all their business interests to each other.

Sir Peter Green, Lloyd's chairman, told the council that he intended to make full disclosure of his own business interests to the members of Lloyd's whose affairs he looks after.

But the members of the 28 strong council have not drafted a by-law to cover the disclosure of their personal interests. It is understood that working underwriters on the council argued that it would be premature to have their affairs regulated by law before the acceptance of disclosure measures proposed by Mr Ian Hay Davison, the chief executive of Lloyd's.

Mr Davison said that Lloyd's had not decided on the areas of insurance it should be regulating. Although the question of Lloyd's juris-

diction remained unresolved, he said that anyone who described himself as a Lloyd's broker, although he may be processing non-Lloyd's business, should still be subject to Lloyd's requirements.

In what is likely to prove a controversial measure, Mr Davison said that future disclosure of underwriters must match those "provided by public companies. If we find certain relationships which we do not think are proper we will take steps to forbid them."

Mr Davison, who has just commenced his second week as chief executive of Lloyd's at \$120,000 a year, gave a progress report yesterday on the work being carried out by Lloyd's in an effort to overhaul its self-regulatory mechanisms in the wake of a series of scandals.

Mr Davison said that among the issues discussed by the council was the question of Lloyd's being owned by non-English companies.

GUY DE JONQUIERES ON A NEW GROWTH MARKET

Tuning in with cellular radio

MR KENNETH BAKER, Minister for Information Technology at the Industry Department, admits that he has been bitten by the mobile communications bug. Since he began using an official car equipped with a radiotelephone, he admits it has become an extension of his office. "The appetite grows with the feeding," he says.

Soon, this convenience will be no longer just a privilege of ministers and senior executives. Cellular mobile radio systems, which are due to start operating in Britain in early 1985, will bring mobile communications within reach of hundreds of thousands of users.

Initially, the cellular networks will allow a vast expansion of the number of car telephones, at present limited to about 20,000 nationwide. Within a few years, however, manufacturers are expected to offer portable telephones, small enough to fit in a pocket or a briefcase. These could be used almost anywhere.

Mr Baker, who yesterday announced a decision on the technical standards for the British networks, expects demand for cellular radio services to produce a vigorous growth market, creating new jobs and investments. He also hopes that this will provide a springboard for exports of British-made equipment and expertise to many parts of the world.

Racal Electronics, leader of a private consortium which will operate one of the new networks, has forecast that by 1990, there will be 500,000 cellular radio users in the UK, generating operating revenues of about £600m a year. It believes that UK export opportunities could be as large again. The other network will be operated by a joint venture between British Telecom and Securicor, the security services company.

Since the Government announced plans last summer to license the two networks, it has pressed hard for a quick decision on the type of system to be used. It is convinced that by making an early start, Britain has an opportunity to gain an important lead on most other parts of the world.

The only countries with cellular radio systems in commercial service at present are Japan and the four Nordic countries, which operate jointly a network called NMT. Two trial services are operating in the U.S. in Chicago and Washington DC.

The system adopted by the UK after months of intense discussion, and known as TACS, is based on the American AMPS standard. It

Cellular Radio - Europe's Plans

Committed to NMT

Committed to TACS



was chosen after reviewing half-a-dozen alternatives, including NMT, the Japanese system, West Germany's C-900 design, and MATS-E, a joint project between Philips of the Netherlands and France's CIT Alcatel. The last two systems still exist only on paper. Though AMPS still requires further technical development for use in the UK, it is considered to be best-suited to Britain's needs.

Racal hopes to sell TACS systems to a number of the developing countries to which it already sells defence communications equipment. In Western Europe, Austria, Belgium, the Netherlands, Ireland and Spain have already committed themselves to using NMT, but most of the Mediterranean basin countries have yet to take decisions and are expected to be prime targets for the marketing of TACS.

In prestige terms, however, France offers the biggest prospective prize. The French have indicated in the past - perhaps rather surprisingly - that they would be prepared to follow Britain in its choice of system. But at present, the French appear split over what decision to take.

M Jean-Pierre Chevènement, Industry Minister, is said to be leaning towards TACS, with the support of CIT Alcatel (which is preparing to make AMPS systems for the U.S. market) and the Thomson group, the country's two biggest telecommunications manufacturers. But

the Telecommunications Minister, M Louis Mexandeau, is believed to favour adopting the cellular radio system being developed by Siemens and the West German Post Office (the Bundespost).

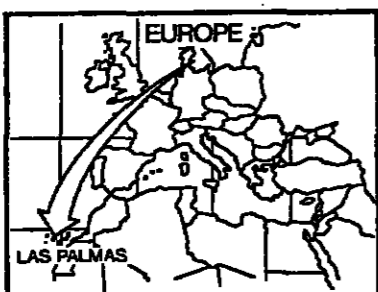
The arguments seem finely-balanced. One incentive for France to opt for the Siemens system is the possibility that Germany, in return, would agree to support the technical standards developed for France's new communications satellite, Telecom 1. That would greatly increase the potential European market for services beamed via the satellite.

On the other hand, Siemens is not yet ready to deliver cellular radio systems which operate at the 900 MHz frequency which France has set aside for its new radiotelephone network.

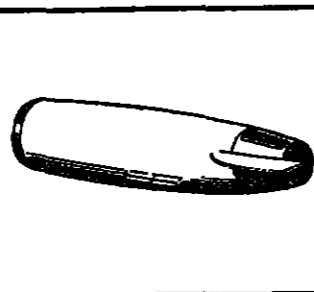
Indeed, the UK claims that TACS will be the first commercially available cellular system to operate at this frequency, which is expected to become the standard in most European countries by the late 1980s.

By announcing its choice of system now - despite misgivings on the part of the Foreign Office - the Industry Department apparently hopes to swing the debate in France in favour of TACS. Whether or not it has judged the situation in Paris correctly, it seems certain that political considerations will weigh as heavily as purely technical ones in whatever decision the French make.

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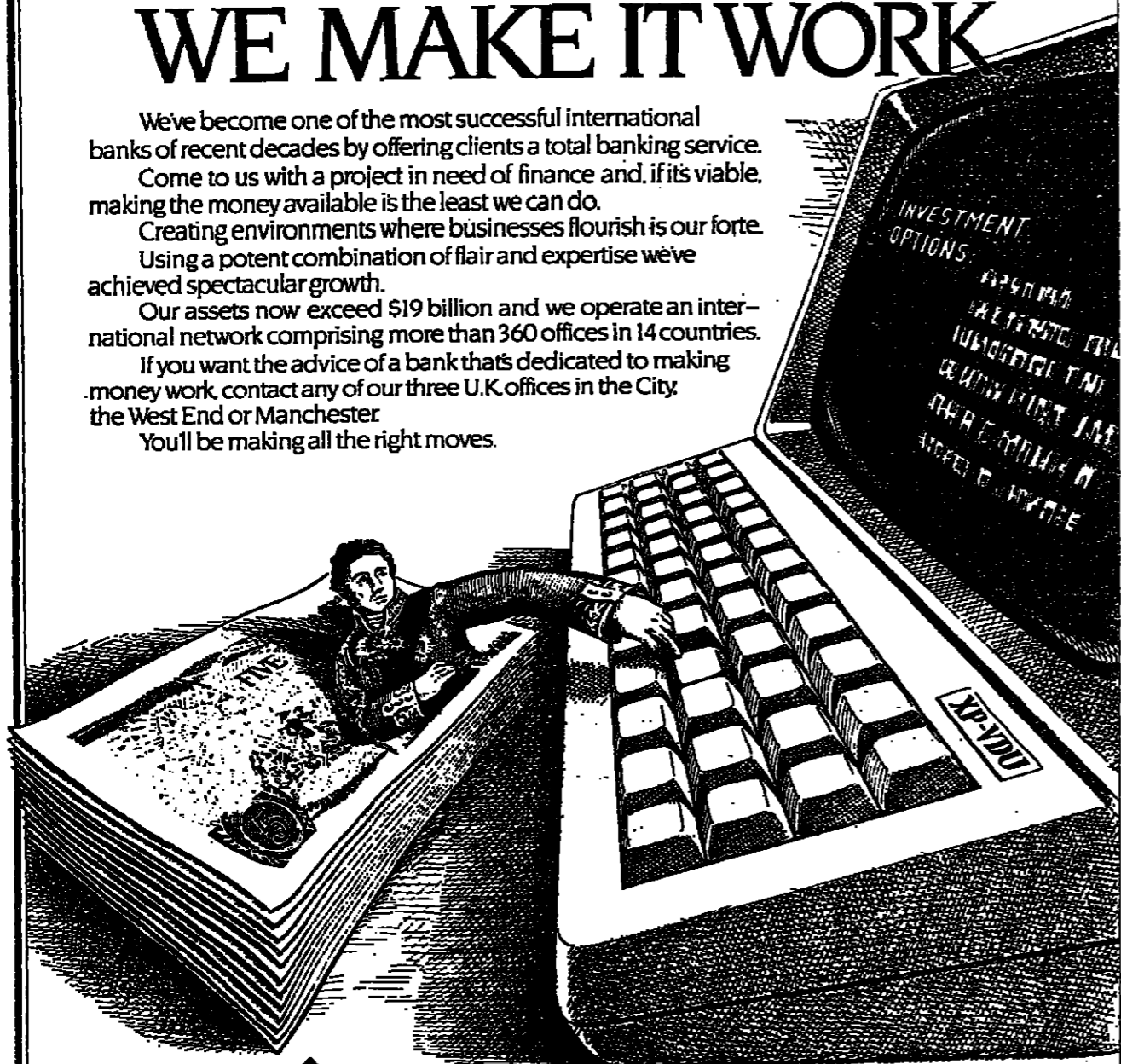
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UK NEWS

Sony and Philips set to launch digital disc

By Elaine Williams

A NEW type of LP audio record – the compact digital disc – will be launched in the UK next month by Sony and Philips. It is the first radical change in design of the LP since the early 1950s.

Last August, Sony and Philips, joint developers of the new disc, delayed its introduction into Europe until the spring because of a lack of suitable material for the disc and an insufficient number of players on the market to meet the expected demand.

The digital audio disc is the audio equivalent of the LaserVision disc introduced by Philips last year. However, the compact disc aims to give consistently high quality sound reproduction. In theory, the discs have unlimited life and are impervious to dust, dirt and scratches.

Each disc is only 12 cm in diameter yet can play up to an hour's music on one side. The music is stored as a digital code in the form of microscopic pits protected by a thin transparent plastic layer. The pits are read by a laser stylus.

Sony has announced that its first disc player will be on sale from March 1 and costs nearly £800. Philips is to announce plans to market two models.

So far only two record companies, Sony-CBS in Japan and Polygram, which is partly Philips owned, are producing the discs. Polygram has invested more than £10m in setting up production at one of its Hamburg plants to make 5m discs a year.

After initial caution, most of the other major record companies have agreed to provide material for pressing at the two existing compact disc plants.

More than 30 equipment manufacturers, including Toshiba, Grundig, Bang and Olufsen, Hitachi and Sharp, have agreed to adopt the compact disc system as a world standard so the problems encountered with video cassette recorders with three standards will not occur.

Sony is producing 10,000 compact disc players a month this year at its factory in Japan to serve both the Japanese and European markets, rising to 800,000 players by 1984. When Sony introduced the system in Japan last October it sold 2,000 players during the first week.

Rolls seeks further 6,000 cut in aerospace labour force

By MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-ROYCE is now discussing with the trades unions the scope of further cuts in its labour force at its various sites throughout the UK. The aim is to get the present workforce of about 47,000 down to about 41,000 by the end of this year.

This further cut, following that of about 6,000 in 1981 and of about the same number in 1982, is due both to the continued recession in the world civil airline industry, which has severely cut the inflow of new orders, and to the advance of new technology which is reducing the number of manual jobs available.

The reduction to 41,000 workers, compared to more than 60,000 at the beginning of 1979, will be achieved largely through natural wastage, early retirement and voluntary severance.

Although some job expansion may occur as and when the recession ends, in many cases the advance of new technology, including such developments as robotics, means that the company will be able to continue with a far smaller labour force than in the past.

The further job reductions are now being discussed in detail, site by site, with individual site directors being given indications of future work-loads, to which they will be required to tailor their work forces.

At Derby, for example, headquarters of the commercial aero-engine division, the cut this year is expected to be about 2,000, of which about 500 will be shop-floor workers. More than 800 workers at the Karrier Motors factory in Dun-

stable and Luton have been laid off because of a strike at a major components supplier.

Production at the two plants which make Dodge trucks has come to a halt because the company has run out of brake parts for its Dodge Commando 100 series.

A large part of the workforce was laid off last week, but some will return on Thursday when the company will continue production of its 50 series trucks which uses different brake parts.

The layoffs have been caused by a five-week-long strike over parity claims by workers at the Hatfield and Ackroyd factory at Morley, near Leeds which manufactures air brake systems.

Loan to buy ex-Laker aircraft

By ALAN FRIEDMAN

MIDLAND BANK is leading a \$12.6m 10-year syndicated loan designed to help finance the purchase of two A-300 Airbus from the receivers of Laker Airways. The Midland-led loan is part of a \$90m total loan package for Air Jamaica, the buyer of the ex-Laker aircraft.

Britain's Export Credits Guarantee Department (ECGD) is supplying \$71.4m of credits at an interest rate of 13 per cent per annum. The remaining \$18.6m is being paid by Air Jamaica as a front-end payment.

The Midland loan syndicate, which is supplying its \$12.6m at an interest level of 14 per cent over the six-month London interbank of-

fered rate (Libor), is comprised of 12 other banks – Société Générale, Citibank, Bayerische Vereinsbank, Dresdner Bank, Credit Lyonnais, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Banque Française de Commerce Extérieur, Creditanstalt Bankverein, Clydesdale Bank, Banque Nationale de Paris and SFE Banking Corp.

Midland's own contribution is believed to be less than \$2m, which is proportionate to its \$18m participation in the original \$131m Laker loan provided to buy three A-300 Airbus.

This sale should reduce the over-

all level of outstanding Laker Airways debt to about £180m. There is still one more A-300 and five DC-10s to be sold. These are connected to a loan made by Laker's other major creditor, the Eximbank syndicate.

The Air Jamaica purchase price of some \$45m per A-300 is well above the world market price for secondhand Airbus, which is between \$30m and \$35m. Bankers involved in the deal said last night that the relatively high price is related to the attractive ECGD cost of funds. In addition, Air Jamaica will receive technical assistance from Airbus Industrie, the European aircraft consortium in which British Aerospace has a major stake.

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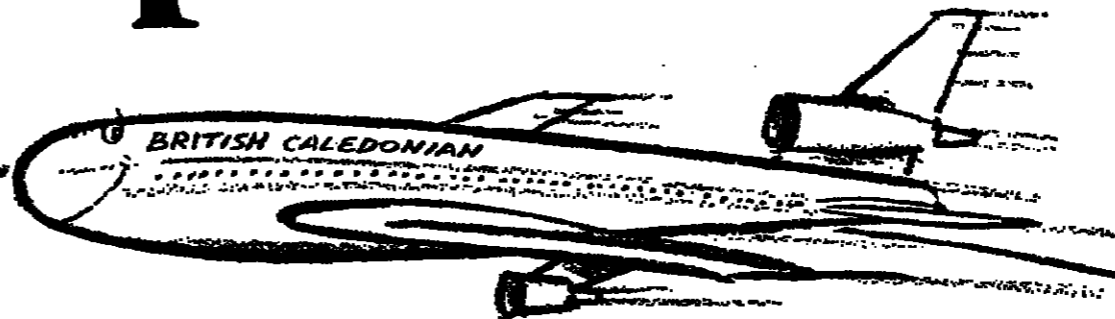
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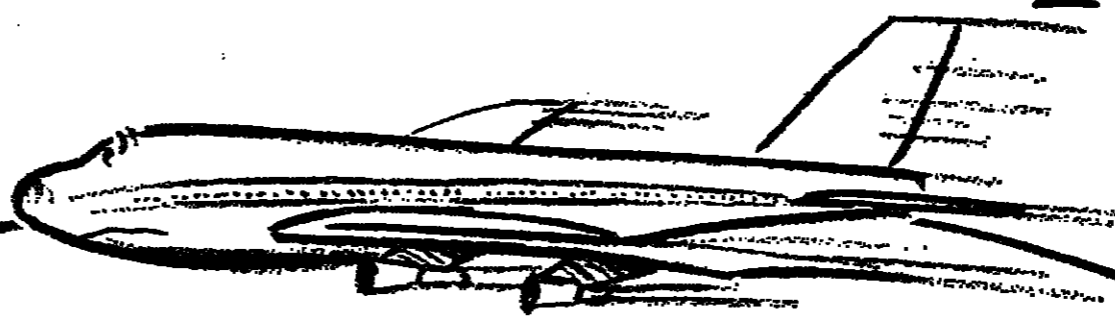


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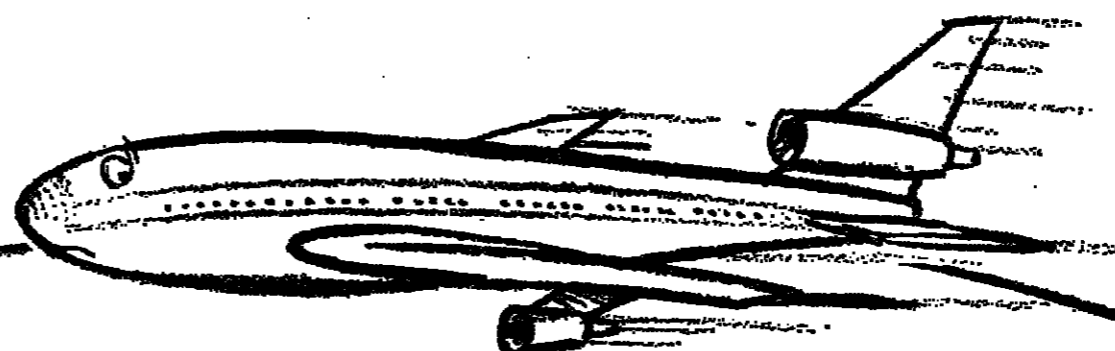
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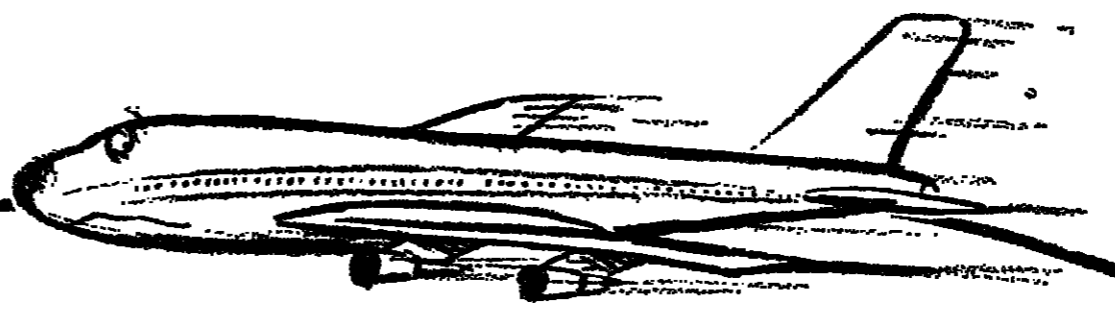
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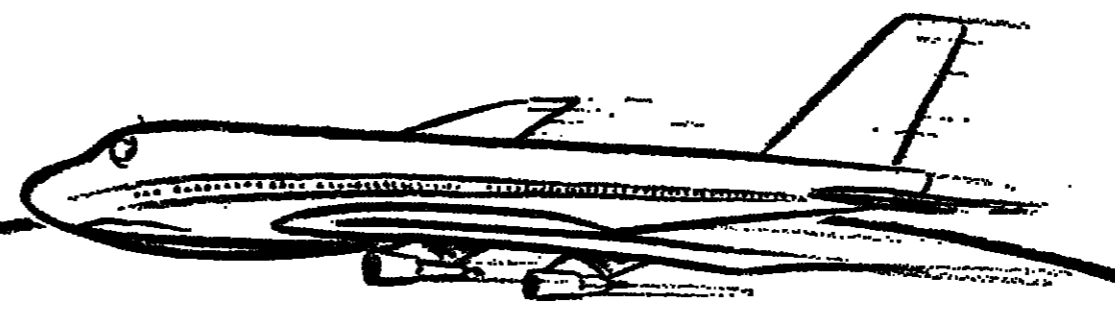
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INDUSTRIAL CATERING

How GrandMet is feeding Mexican workers

By William Chislett in Mexico City

AT FIRST sight it might seem an improbable combination: a British company selling Mexican food to the Mexicans, but that is precisely what Grand Metropolitan, the UK hotels, brewing and leisure group, has been doing for the past two years.

It has entered the new and potentially lucrative Mexican market of industrial catering—part of a wider strategy of developing catering markets in Latin America.

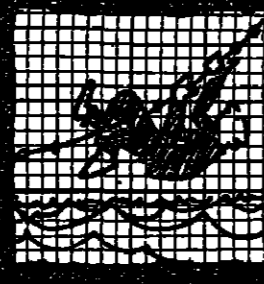
The sums involved may be small but the project points up both the long-term potential of Mexico (with its oil exports and 70m population, increasing by 2m a year) and some of the short-term difficulties of operating in the country.

Mexico's debt crisis means that the country—and foreign investors—face at least three very lean years.

Exchange controls, introduced for the first time in September, have greatly restricted the previously unhindered repatriation of capital—although few companies expect in the present straitened circumstances to have anything to send back to head office in the immediate future.

GrandMet International Services could pull out of Mexico without too much trouble or too high losses. After some doubts it has decided to stay. The reason lies in the very nature of its business. "What ever crisis a country is under-

INVESTING ABROAD



This is one of an occasional series on overseas operations of UK companies.

going people will still have to go on eating," said Mr Carlos Monserrat, GrandMet's general manager in Mexico. "Despite the recent turn of events, we do not believe we will suffer. The fact that we are still here speaks for itself. We have confidence in the future."

GrandMet now has 13 contracts, several of them with major Mexican companies such as Cydsa, the petrochemicals group. In October GrandMet served 108,432 meals. By the end of 1983 it expects to be making a modest return on its capital outlay of several hundred thousand pounds. "We will cross the problem of exchange controls when we have something to repatriate," said Mr Monserrat.

GrandMet took a hard look at Mexico in 1978 when the country's oil industry was expanding rapidly and the then Lopez Portillo government was embarking on an ambitious economic development programme. Foreign businessmen and bankers alike beat a hasty path to Mexico to offer their services.

Total accumulated foreign investment in Mexico increased from \$6bn in 1978 to \$11bn at the end of 1981, but this is still less than 5 per cent of total investment in the country.

GrandMet felt that it should enter Mexico as part of its overall strategy of developing markets in Latin America. (At the same time, it started operations in Colombia and Venezuela.)

Market research showed that the catering business potential in Mexico was large, particularly in Monterrey, the northern city near the U.S. border which is the main centre of private sector industry.

At all levels of society, Mexicans spend a fair part of their income on eating out. In factories mass catering is still fairly primitive and the standard of hygiene leaves a lot to be desired. (Not for nothing is Mexico the home of the dreaded Montezuma's revenge). Companies either operate their own catering service or contract the work out to small family concerns which work through the night and deliver the food the

next day in large, often open, pots on the back of a van. The food is then reheated.

GrandMet says it has "revolutionised" such methods in Mexico. It offers a complete package from kitchen design through to overseeing the construction and managing the catering service. It also offers a regular back-up service and presents its clients with reports on food acceptance, consumption trends and how improvements can be made.

Mexican unions are becoming more demanding about fringe benefits to compensate them for moderate wage demands.

Setting up in Mexico was a relatively easy business given that GrandMet is in a service industry, and not a manufacturer which needs to import equipment, find a site, build a plant and run an obstacle course through several ministries to obtain the necessary operating permits.

GrandMet sent out just four executives to establish a joint venture with Mexican interests. There are now only two expatriates, with a Mexican staff of 175.

The foreign investment law of 1973 restricts participation in a new venture to a maximum of 49 per cent, although the rules are being more liberally interpreted by the new government of President Miguel de la Madrid to attract in much needed new capital and preserve jobs.

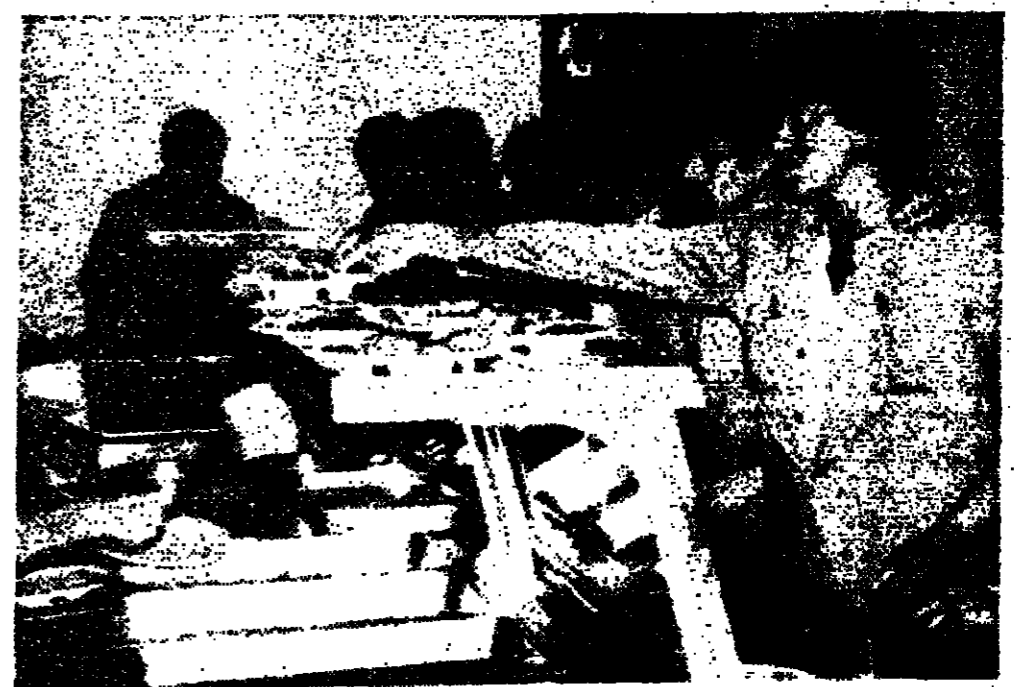
GrandMet established an

initial joint venture with various individuals, turned a house in a select and central part of Mexico City into offices and set about selling itself to companies.

The initial tactic was to trade on its name and long experience. The UK arm, GrandMet Catering Services, has some 1,500 contracts. GrandMet was lucky in getting its first contract with such a well-known company as Cydsa, which was looking for a catering company for its new executive headquarters at the same time that GrandMet was eagerly offering its services. "They decided to give us a chance and we have not looked back," said Mr Monserrat, who speaks fluent Spanish and has an Anglo-Spanish background.

In December the company moved out of its first offices into those of a major Mexican catering company with which it is forming a new joint venture. The link-up will give it a further 32 catering contracts.

It has only one foreign rival, the French company Euresit, which came to Mexico more recently and does not appear to have established itself so well. GrandMet has introduced international catering methods to Mexico but its cuisine is Mexican down to hot chilli sauces. However, it also offers occasional buffets where international dishes such as goulash are served. These buffets have gone down well. "We try to



GrandMet serves lunch at the Azteca chocolate factory in Mexico City

break the monotony. A work force which only eats tacos (a stuffed corn pancake) is not going to work as well as one with a more balanced diet. We try to educate workers to vary their diet."

If industrial catering in Mexico is a novelty, site services, which GrandMet also offers, are a virgin territory. Mr Monserrat, who worked on site services in the Middle East, North Africa, Portugal and the U.S., said he was amazed when he came to Mexico to find that such a concept did not exist.

Makeshift slum camps spring

up around construction sites with workers living in shacks or sleeping in a hammock between palm trees. There is no organised camp for the work force. Catering, such as it is, is provided by local street vendors. Not surprisingly, notes Mr Monserrat, in a situation where everybody has to fend for himself the turnover among workers is high, crime increases and often the work is not finished on time. These factors contributed to long delays on construction of a state steel mill

at Lazaro Cardenas, on the Pacific Coast.

GrandMet offers turn-key camp projects and sees a big market for them in Mexico if it can sell the idea that it pays to have a contented workforce. As soon as the new Government has defined its priorities and decided which projects begun in the past free-spending administration will be scrapped and which will be finished, GrandMet intends to start knocking on the doors of the public sector.



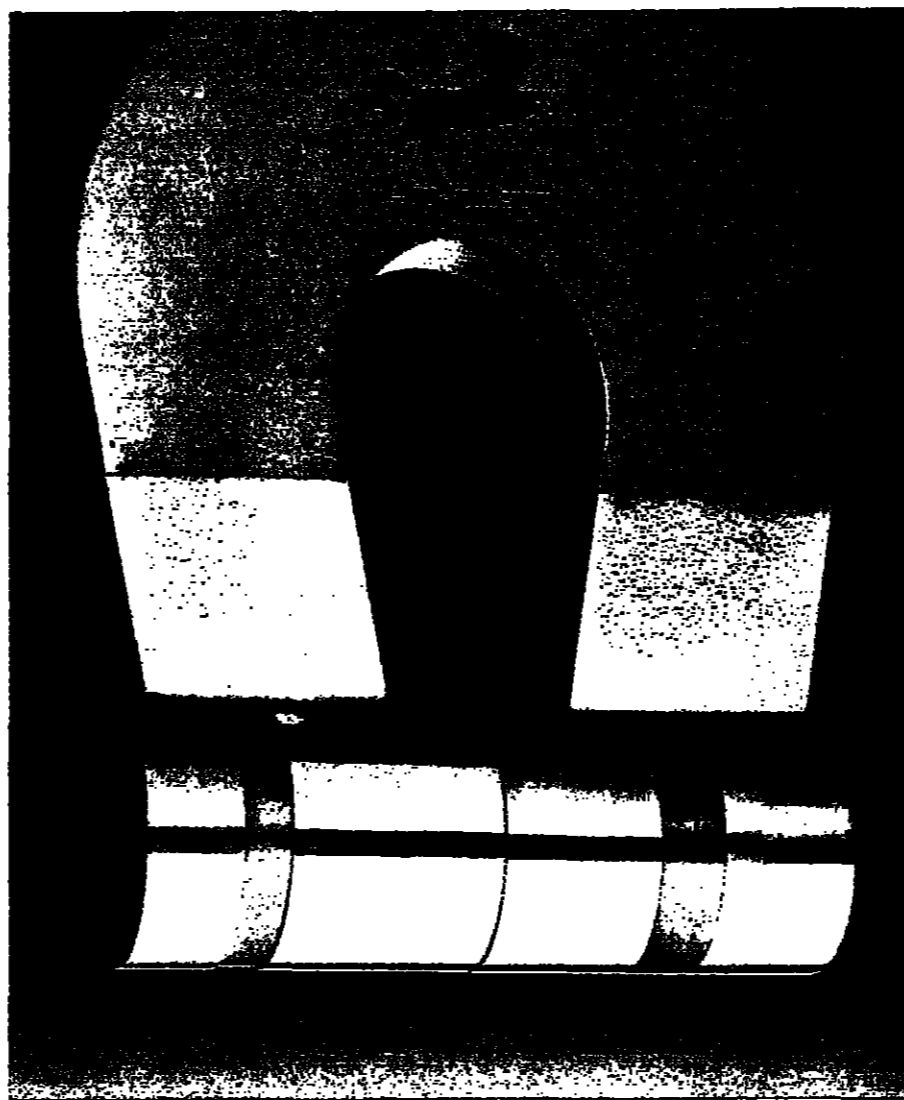
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INTERNATIONAL APPOINTMENTS

Senior post at Kaiser Aluminum

KAISER ALUMINUM AND CHEMICAL CORP. has appointed Mr John D. Miller to the newly created position of vice-president, international activities, for its aluminum division. He will be involved with Kaiser Aluminum's subsidiaries and affiliates in Australia, the UK, West Germany, Ghana, Bahrain and India. He will be based in Oakland, California. For the past five years he had been based in Sydney as managing director of a subsidiary company, Kaiser Aluminum Australia.

Mr Thomas O. Maxfield, III has been elected a vice-president of WHITTAKER CORP., L.A. He has also been appointed group executive in charge of metals operations, succeeding Mr Edward J. Howey, who is retiring from full-time employment. He will continue as president of Whittaker Industries, a Whittaker-managed partnership.

Mr Frank Bregar, vice-president—finance and treasurer of SANTA FE INDUSTRIES, INC. and vice-president—finance of SANTA FE RAILWAY, has resigned to pursue other opportunities. He joined Santa Fe Railway in 1965 as assistant general auditor. He was named senior assistant controller of Santa Fe Industries in 1971, vice-president and controller in 1973, vice-president—finance and treasurer in 1981 and also vice-president of finance for the Railway in 1981.

CHEMICAL NEW YORK CORP.'s board has proposed four new members for election at the annual meeting on April 27. They are also being proposed for the board of Chemical Bank, its principal subsidiary. The prospective board members are Mr A. Paul Funkhouser, president of CSX Corp., and the three senior executive vice-presidents of Chemical New York and Chemical Bank: Mr Robert J. Callander, Mr Thomas S. Johnson and Mr Robert I. Lipp.

Mr Richard P. Thomas has been named division counsel for ASHLAND PETROLEUM COMPANY, Kentucky. He will manage the legal activities for Ashland Petroleum, counsel management on legal issues and provide interpretation of local, state and federal regulations affecting petroleum operations.

AMERICAN SECURITY CORP. has nominated two members to its board for election at the annual meeting in April. The nominees are Mr Oliver T. Carr, Jr., president of the Oliver T. Carr Company, and Mr Richard F. Schubert, president of the American Red Cross. Mr Carr is a director of the Greater Washington Board of Trade, a Trustee of Meridian House International, and a member of the Federal City Council. Before joining the Red Cross in January of this year, Mr Schubert was employed by Bethlehem Steel Corp.

Mr Randolph Richmond has been named president of ICL, INC., the U.S. subsidiary of the UK company, International Computers. He has also been appointed divisional director of the parent company's newly created North American division. In these positions, he will direct marketing, service, manufacturing and development activities in the U.S., Canada and Latin America. Mr Richmond joins ICL from Chromatix, Inc., an Atlanta computer manufacturer, where he was president.

Mr Russell F. Smith Jr has been appointed assistant treasurer of CE LUMMUS, a unit of Combustion Engineering, Inc. Mr Joseph J. Barba has been appointed director of the management systems department of LUMMUS GROUP, INC. He will be responsible for all computer aided technical systems, business management systems, project management systems, and computer office systems.

Mr Yoshio Kunitaka, European managing director of OLYMPUS OPTICAL CO. (EUROPA), is returning to Olympus Tokyo to expand a new area of operations. His position in Hamburg has been filled by Mr Zenjiro Okada.

Mr Gareth Davies will be retiring as trade policy counsellor and head of the EUROPEAN COUNCIL OF CHEMICAL MANUFACTURERS' FEDERATIONS (CEFIC), economics department on March 31. He will be succeeded by Mr Michael C. Cockburn. Mr Davies joined ICI in 1969. At the time of his appointment to CEFIC he was tariffs and trade manager at the company's head office. Mr Cockburn is petrochemicals marketing manager for ICI in southern England.

Mr Ludwig Kathrein has been appointed deputy managing director (vice-president) of the Euro-missile Joint Venture as successor to Mr Friedemann Striegel. He has also been appointed administrator for the Euro-missile Dynamic Group. The Franco-German G.E. Euro-missile was set up in 1972 by the Société Nationale Industrielle Aérospatiale and Messerschmitt-Bölkow-Blom to contract for, and market, missile systems to be jointly developed by the two companies.

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THE ARTS

Shura Cherkassky/Festival Hall

Andrew Clements

Regular followers of Cherkassky's London appearances are unlikely to have been disappointed by his Friday afternoon Festival Hall recital. It was a typically heterogeneous affair, with music of the 18th, 19th and 20th centuries, and with a pianist who frequently uses the soft pedal more frequently than the other pedals.

He began with a Chopin nocturne (in G minor and A flat) presented the familiar mixture of unadorned interpretation and technical virtuosity. A major sonata (D959) was a more searching test of the pianist's ability to bend his skill to the articulation of a large scale musical argument.

Alongside his Chopin sonatas inevitably produced experiments that misfired. The opening bars were robbed of their majesty by a lightweight left hand and a staccato chord, though when the same passage returned to round off the movement its cutting edge was perfectly judged. Colour alone was not enough to prevent the slow movement sliding into monotony, nor quick fingers sufficient compensation for lack of muscular vigour in the scherzo.

Yet the development of the

first movement had been a glorious experience, a piece of the most delicate tracery, each phrase spun out on the most glistering tone; and the finale gilded its rondo scene incomparably. A more seductive view of Schubert would be hard to imagine, but a complete account it was not.

Mendelssohn's oddly proportioned F sharp minor Fantasy began the programme, sleek and gleaming in its outer sections, pawky for its scherzo centre, and Messiaen's two studies under the title *Le Feu* were a tantalising demonstration of the potency of this composer's piano works when given to a master pianist. Would that Cherkassky played more of him.

Otherwise it was a romp through Chopin's *Scherzo*, a Schumann concerto, a froth of the two famous polkas from Weinberger's opera that would have been beyond the pale from then onto the encore. There was a Chopin nocturne with serenely singing tones and a waltz that sounded to have been touched up here and there, and a nameless piece of boogie woogie to send the punters home happy.

Sinopoli/Festival Hall

Dominic Gill

Giuseppe Sinopoli (b.1945) used to be known as a minor Italian composer and teacher who occasionally conducted concerts of contemporary music. In recent years he has been promoted as an opera conductor. He has yet to direct an opera in London; but his orchestral appearances have not so far been encouraging.

What good things there were in his concert with the London Symphony Orchestra and Chorus on Sunday night were by and large things which a decent orchestra can do adequately by itself without direction. Sinopoli's contribution was not distinguished. The LSO are two professional and experienced a band to be put off their stride merely by a flaccid and ambiguous beat, but their ensemble as a result was less than precise and their rhythms lacked buoyancy. It was not a taxing programme; but it could hardly go unnoticed that in the trickier ensembles more eyes were turned to the first violin leader for cues than to the conductor.

In Schubert's *Unfinished* symphony, Sinopoli seemed to be straining for an expressive and a largesse that lay quite beyond his powers to define. The notes of the symphony emerged—clearly, albeit

bumpily, after a fashion—without embracing any of the real force and character of the music. Nothing was pointed, nothing powerfully or originally drawn. In Mahler's *Lieder eines Jünglings in Italien*, a gulf between soloist and conductor yawned wider: singing of exquisite point and colour from Brigitte Fassbaender, marvelously sustained, was undermined—more accurately, followed at a respectful distance—by an orchestral accompaniment almost entirely unnuanced, in the most important musical sense, unformed.

After the interval, the LSO was joined by its Chorus in Verdi's *Te Deum* (from the *Four Sacred Pieces*, the complete work) and in Brahms's palely luminous, low-key *Song of Destiny* op.54. What kind of Brahmsian energy Sinopoli wished to extract from, or inject into, this Schiele-influenced, indeed perfectly clear, but the sound, and the spirit, of the performance was unfavourably bland—ghostly aural echo of the direction, which alternated between stinging gestures with a kind of frenetic geniality, as if at any moment, without sufficient sign of busy activity from the rostrum, the players and chorus might take it into their heads to pack their bags and quietly slip away.

Saleroom

Annalena McAfee

A rare monumental Stoves "Van de Neut" was sold for £28,800 (£18,571) to London dealer Bonrose at a Sotheby's New York sale on Saturday. A Louis XV style gilt-bronze mounted tulipwood parquetry and kingwood writing table was sold for the same price to a New York dealer. The sale totalled \$577,422, with 9 per cent bought in.

A sentimental rustic painting by Edgar Hunt, *Farmland Friends*, sold for £9,190 at Christie's sale of fine Victorian and Continental pictures of the 19th and 20th centuries. At the same sale Antonio Paoletti's *Young Fruitful*, Venice fetched £4,880. The sale totalled £231,046, with 18 per cent bought in.

A sale by Sotheby's of decorative arts, including arts and crafts, art nouveau and art deco,

totalled £95,106 with 5 per cent bought in. The top lot was a jardiniere with mushroom pink copper pot supported on a four-legged "reptile" stand. Dated 1900, the jardiniere was bought for £2,980 by a U.S. dealer.

A bronze and ivory group of a woman in medieval costume with two hounds sold for £3,410 to London dealer Gallery 25 at the same sale.

Sotheby's sale of Eighteenth century English furniture and works of art totalled £97,350 with 88 per cent sold. A private buyer paid £3,740 for an oak door, framed in a carved and painted arch. A George III mahogany secretaire bookcase was bought for £2,970 by London dealer Cura. The second part of the Edwardian and later furniture, will be held on Friday, February 25, at 11 am.

The engravings of Hollar/Roy Strong

A stroll through Stuart England



A detail from "Spring" by Wenceslaus Hollar

"What shall we call him?" I asked my wife as we contemplated the enormous stuffy black cat that arrived over the fields and adopted us. "Must," she said, "because he looks exactly like one of Wenceslaus Hollar's engravings of a muff." Thus he became the Rev Wenceslaus Muff. The fact that Hollar can be thought of by English people as such an immediate point of visual reference is an indication of his hold over our imaginations. It comes almost as a shock to learn that he was in fact an exile from Bohemia, so English, he seems with his nostalgia for country life, the great house and castle, landscape, animals, costume and the relics of times past.

The engravings of the England before and after the Civil Wars preserve for us a glimpse of a world we have forever lost. Images which echo John Aubrey's constant point of reference, thus it was before the wars in golden Glorian's days. The British Museum's exhibition brings this all to mind and forms a striking contrast to the same era as recorded in the brass, brilliant brush of Van Dyck. It offers us a rare opportunity to contemplate the same atmosphere through very different eyes.

I confess my affection goes to Hollar every time. He is at his least happiest when trying to be grand and baroque as in the engraving in memory of his patron, the connoisseur Arundel, an unsuccessful accumulation of floundering and flying abstractions, or in his renderings of Van Dyck's portraits. But every time he gives us a glimpse of country or town or the people of the age, we take a walk into Stuart England.

Royalist through and through, he evokes the arcadia of the King's Peace in the engravings he executed during his stay in London in the late 1650s and early 1660s. We find ourselves on the roof of Arundel House looking downstream past the houses of the great along the Strand on to St Paul's and the spires of the Puritan City.

We find ourselves on the roof of Arundel House looking downstream past the houses of the great along the Strand on to St Paul's and the spires of the Puritan City.

of which the country was given over to the extremes of the Counter Reformation. The exhibition captures these peregrinations through Germany and the Low Countries; views of cities and towns along the Rhine but always tranquil, always at peace. How different from Jacques Callot! Never a hint of the horrors of the terrible Thirty

Extemporary Dance/The Place

Clement Crisp

"Instead of choreography" might serve as comment on the works offered by the Extemporary Dance Theatre in a second programme at the week's end. Naples, retained from the first night, had choreography, but that is fragmentarily Bournonville's, surviving despite the deprecations of the dancers, with chief offender Emilyn Laid, Extemporary's director. The rest of the evening, with one exception, seemed inclined to do without, if by choreography one understands something more fruitful than the grim mistressy steps assembled by Miss Laid as a solo for Annelies Stoffel, where minimal invention was matched by minimal interest, to a

dearly apt sound-track of heavy breathing and some very odd sussurations. Speaking Part was a no less disappointing item by Jacki Lansley about a lady's identity, its programme-note proclaiming feminist themes, their realisation being of the dullest, though it was justified by the beauty and wit of Corinne Bogaard, who deserves better of life and art.

Curiosity of the evening was a different view of role-playing: Lloyd Newson's *Breaking Images*. It peels off the layers of the sexual identity of a dancer (Mr Newson), starting as conventional partner to Miss Bogaard, then revealed as homosexual sado-masochist.

carapaced in leather and studs, then as transvestite. Whether therapy or theatre, the piece is brilliantly effective in staging (design by Magdalen Rubieva is simple, imaginative) but offers too little choreographic force, other than leather boys in attitude, to convey the turmoil of the central character's psyche, or convey that turmoil from verisimilitude into dance.

Mr Newson's own performance, like everything he has done in this season, is alert and compelling. He shone in the sole through - choreographed item of the evening, Tom Jobe's *City*. This is an over-long but fast-paced sequence about the dreams and aggressions of city kids as expressed in pop songs.

The vocalists sounds as if she has been inexpertly strangled, but enough of the words get through to us to learn that Mr Jobe is providing dance illustrations to various sung incidents, and Avigail Ben Ari, Yaakov Silvkin and Shoyen Newson (whose head is shaven like Harald Kreutzberg's, and here is a picture of the dancer and fight and indulge in urban fun and violence.

It is slick, tearaway dancing and would look good on *Top of the Pops*. The programme ends with David Gordon's *Counter Revolution*, which does not pretend to be choreography, and is all the jollier for that fact as a "construction" of games with numbers.

Television/Politics

Peter Riddell

Political programmes have become one of the surprising growth areas of television in the past year, partly thanks to Channel 4. Over the weekend there were nearly three hours on television (and 2½ hours on radio) specifically devoted to politics. This is leaving aside religious and magazine programmes on public issues. Politicians appearing included Denis Healey and Norman St John Stevas as well as many little-known backbenchers, though the voices of grassroots activists were hardly heard.

But who is interested in politics at 8 o'clock on a Saturday evening or just before Sunday lunchtime? For a start MPs and political journalists are: the weekend is about the only time they watch television, apart from late in the evening. Indeed, some of the programmes seemed aimed primarily at the political world. There is a danger of a goldfish bowl approach in which the same group of leading politicians and journalists from the fashionable papers appear. And I should perhaps declare an interest as one of the repertory company of the opinionated.

Yet, both *Saturday Briefing* (BBC 2) and *Face the Press* (Channel 4) had slightly unconventional choices at the weekend—Lord Beloff and Bill Sirs of the steelworkers' union respectively. While neither had anything particularly new to say, the questioners brought out some interesting points from Lord Beloff on the leaked Family Policy Group papers and underlined the apparent helplessness of Bill Sirs against Ian MacGregor. A drawback of both programmes is that with a week's programmes no more than three interviewers restricts follow-up questioning. My experience is that an interviewer

feels inhibited from asking too many supplementary questions of taking time away from the other two questioners. Two on a panel might in some cases produce better results.

The liveliest of the weekend television programmes at present is *A Week in Politics* on Channel 4. On Saturday it contained a filmed report on Mr St John Stevas's Private Members' Bill to extend Parliamentary financial scrutiny, especially over nationalised industries, and followed this with a studio discussion on Whitehall/nationalised industry relationships. This covered all the complex cross-party alliances, inter-party divisions and Parliamentary versus the Executive tangle of what has become a generally neglected issue. This programme has recently discussed in detail topics such as the financing of parties, public spending and electoral reform, all of which are important but tend to be ignored elsewhere because they are not in the headlines.

In a surprise *Weekend World* on ITV on Sunday tends to go for the issues of the day. This can be sometimes rather predictable but was well justified in the thorough coverage of the Falklands crisis.

The surprise feature of the weekend programmes was the virtual absence of anything either on the Bormondey election or about the flurry over Michael Foot's leadership of Labour. There was no attempt to see whether all the excitement was justified. On *The World This Week* (Radio 4) Gordon Clough did his usual professional job of obtaining Mr Foot's response. But at the end of a week's programmes no one had got to the heart of whether or not there was a real revolt.

Peer Gynt/Guthrie. Minneapolis

Frank Lipsius

Stripped of Grieg's music and performed over five hours in two sittings, the Guthrie Theatre's *Peer Gynt* brings drama back to Ibsen's last work in epic verse. Despite the European acclaim given to Brand, Ibsen's previous play, it took nine years and a drastic condensation for the play to get its first performance. Grieg supplied the music for that first production which has accompanied the play like a curse of trolls ever since.

That this is Ibsen full of romantic optimism is more a reflection of the music than the work itself, as brought home by director Liviu Ciulei's relentless pursuit of Peer's differences with society. The eerily porcine but fully human trolls have a disgusting dignity that emboldens Peer until his queer battle with the Great Boyg, an amorphous dark force that turns the hero from an object of failure in the strict world of cold Norway into a puffed up success in the looser, warmer and more indulgent Mediterranean.

Recognising this, Ciulei creates two plays, one of youthful extravagance in stark Norway and the other of boundless success in the colourful and clever world of glittering surfaces bathed in sunshine. The second part becomes a circus of visual tricks provided by set designer Santo Loquasso. Gynt's near drowning in a billowy sea is spectacular.

The distinction between the two worlds is emphasised with a different Peer for each. The younger is Greg Martyn, a candidate for teenage heart throb with a good natured and muscular stubbornness. He becomes an outcast from thought theatre of New York. Gerry Bannman, who takes the role in the second half, provided one of the consistently bright spots of David Jones's

BAM Company in Brooklyn. But even well dressed at the beginning of the second part of *Peer Gynt*, he has a slovenly manner giving the impression that Peer has aged badly. Despite the fortune he has made by trading slaves in America, Bannman seems too intelligent to enjoy the careless blind freedom that Peer indulges in during the first part and needs, to retain until the transformation of the second part, the equal of *Marat/Sade* for human degradation and mad horror. From here, Bannman pulls Peer into the depths of selfless introspection, but it is not a great enough fall after the robust and confident Greg Martyn of the first part.

The Guthrie production fits into a government sponsored nine-month celebration of Scandinavian culture. Today, being held in Minneapolis, Ciulei insists that the timing is only coincidental, but there could be nothing more appropriate than Ibsen's own ruminations on his native character when he had already begun his extensive wandering through Southern Europe.

The local Minneapolis Press has unfortunately couched the production in terms of the risks involved in the commercial season between the general economic climate and badly received productions like Faulkner's *Requiem for a Nun*. The resources committed to the two-part production, with its excellent supporting cast of three dozen actors, are of course considerable and probably unlikely to be undertaken by the commercial theatre of New York. But the risks the Press attributes to finances are really artistic, and splendidly met in this production.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

February 18-24

Opera and Ballet

VIENNA

Staatoper (5324/2855): Arabella, Madame Butterfly, Der Barbier von Sevilla.

Volkstheater (5324/2857): The Merry Wives of Windsor, Der Vogelhändler, Der Freischütz.

Bühnenensemble (576/626): Die Gräfin Mariza (Only except Mon)

HOLLAND

Nederlandsche Opera and Dutch National Ballet to Richard Strauss's *Arabella* at the Amsterdam Stadschouwburg.

National Ballet is giving the first performances of new works by Rodi van Dantzig and Toer van Schayk. Amsterdam Stadschouwburg (Thur).

LONDON

Royal Opera, Covent Garden: Carmen, interestingly revived with Agnes Baltsa and José Carreras, marks Colin Davis's first Royal Opera (though not first London) encounter with Bizet. The unfortunate latest showing of *Tosca*, with Giacomo Aragall replacing the errand Luciano Pavarotti, continues in repertory.

English National Opera, Coliseum: Boris Godunov, an evening of authentic Musorgsky not best served by Elgar Howard's lax conducting or Colin Graham's dull production shows Age Haugland's titular hero in the early part of the week, and John Tomlinson in the later. Further performances of the grotesque new Queen of Spades, of Il Trovatore.

with Rita Hunter; Della Jones, Britain's most accomplished Rossini singer, returns as the heroine of his *Cinderella*.

New Sadler's Wells Opera, Rosebery Avenue: last three operas of this brave new company's first season are on show this week - Lehar's uneven *Court of Love*, a fresh and lively *Wilde*, and Kolman's little-known (in Britain, anyhow) *Countess Mariza*.

Royal Opera House, Covent Garden: The Royal Ballet offers an Ashton triple bill on Wednesday.

WEST GERMANY

Berlin: Deutsche Oper: Lohengrin with Pilar Lorengar and Gerd Bruns. Der Troubadour, conducted by Herbert von Karajan, has an all-Italian cast. Die Entführung aus dem Serail features Costanza Cucaro and Rüdiger Wobers. Der Widerspäh als seine Interpretations by Helga Wissewicz and Barry McDaniel. (34381).

Hamburg Staatsoper: Rossini's *Semra*, in a concert version, is directed by Michel Plasson with Montserrat Caballé in the title role and Francisco Araiza as Idreno. Also Der Fliegende Holländer with Franz Ferdinand Nentwig in the title role. Der Liebestrank, a Jean-Pierre Ponnelle production, brings together Sona Ghazarian and Giuseppe Taddei. Fidelio with Reiner Goldberg as Florestan and Lisbeth Balder as Leonore is of respectable standard. (35115).
Frankfurt Opera: June Gard triumphs in the part of Emilia Marty in Janacek's *Die Sadee Macchietta*. There has been Celestina Casaperta in the title

role. Der Türke in Italien is a fresh and delightful revival. Elektra has Pauline Tingley in the title role. (25621).

Cologne: Oper Die Meistersinger von Nürnberg has Rene Kollo as Stolzing and Theo Adam as Sachs. Also this week Der Barbier von Sevilla and The Magic Flute with Karli Salminen as Sarastro. (20713).

Stuttgart Württembergisches Staatsoper: Jean-Pierre Ponnelle's Wagner Cycle this week reaches *Oberrheingemälde* with Raina Kabanova, Eva Randova and Manfred Jung. Lambert Gardelli conducts Der Troubadour. Die Lustigen Weiber von Windsor rounds off the programme. (20321).

Münch Bayerische Staatsoper: Die Fledermaus, produced by Otto Schenk with Lucia Popp in the leading role. Die Meistersinger von Nürnberg with Lucia Popp and Kurt Moll. Tristan und Isolde with Spas Wenkoff and Ingrid Björner in the title roles. Il Tabarro/Gianli Schiavi with Julia Varnay and Carlo Cossutta. Manon Lescaut with Raina Kabanova and Giorgio Lamberti completes the week. (21851).

PARIS

Prokofiev's *Love of Three Oranges* at the Opera Comique (266122).

Federations conducted by Ralf Weikert with Gino Guilio, Benza Cucarbas, Janet Perry and Siegfried Jerusalem, and Figaro's Hochzeit conducted by Ralf Weikert with Margaret Price and Jose Van Dam. Paris Opera (242373).

Zürcherlied: conducted by György Fischer. T.M.P.Chatelet (2811963).

NEW YORK

Metropolitan Opera (Opera House, Lincoln Center): The week's performances includes Richard Strauss's *Arabella* conducted by Erich Leinsdorf, directed by Otto Schenk with Kiri Te Kanawa, Kathleen Battle and David Rendall, as well as La Bohème and the final seasonal performance of Les Contes d'Hoffmann and Un Ballo in Maschera. (5809830).

New York City Ballet (New York State Theatre, Lincoln Center): The season continues with the mixed repertory including works by Jerome Robbins, Peter Martins and company head George Balanchine. (8705570).

WASHINGTON

Jeffrey Ballet (Opera House, Kennedy Center): The company brings a mixed repertory to its week long programme in Washington. (2543770).

CHICAGO

American Ballet Theatre (Auditorium Theatre, 70 E Congress Parkway): This stop in the national tour of Mikhail Baryshnikov's company includes most of its repertory, among the works the full-length *La Sylphide*, *Push Comes to Shove*, *Clair de Lune* and *Prodigal Son*. (9222110).

ITALY

Milan, La Scala: Puccini *Trypich*. Venice, La Fenice: *Parasol with Gail Gilmore and Deborah Sassoon*. Florence, Teatro Comunale: *The Nutcracker* with Elisabetta Terrabust. Donizetti's *Lucia di Lammermoor*.

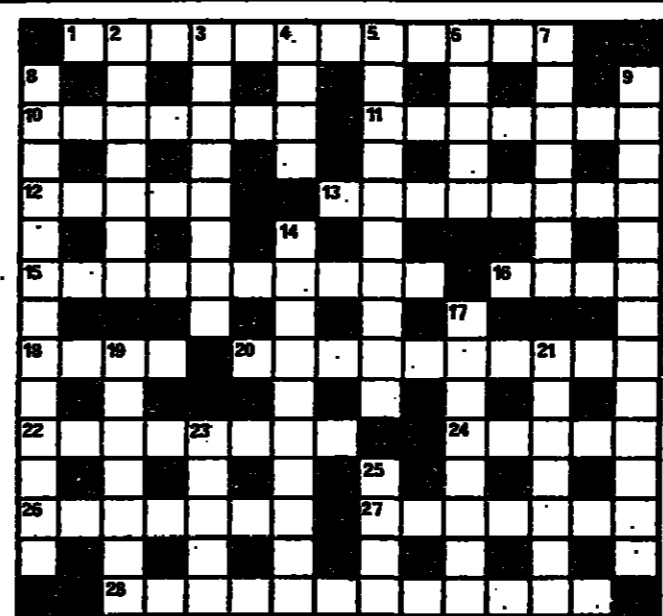
F.T. CROSSWORD PUZZLE No. 5,104

ACROSS

- Aware of a rising sea, but far from queasy (7, 5)
- Attached to a refined red-head (7)
- A cry I'll reproduce in poetic vein (7)
- Point out a horse (5)
- Libertine reluctant to take fresh air, nothing more (8)
- Craft that might live up the party (3-7)
- Count and recount (4)
- Safe place to let out the clutch? (4)
- Sit carelessly in a draught? Crazy! (10)
- Returns from work? (8)
- Pack animal brings everything back around morning (5)
- Apart and sure to be different (7)
- Remainder of new rise now owing (7)
- Soldiers kept permanently on their toes? (8, 4)

DOWN

- There are two points he can possibly raise (7)
- Left fat pig inside (8)
- Out of gear (4)
- Outline a new house title (10)



6 Ground for a broken heart (5)

7 New cure Len found in Switzerland (7)

8 An honour that has to be fought for (8, 5)

9 Lighted matches? (8, 5)

14 Stayed well away from work (10)

17 Dance I sat out, seeing an offensive weapon (8)

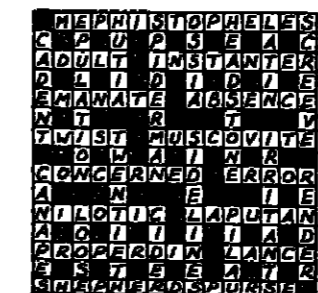
19 Grows vegetables (7)

21 Old woman, maybe a grandma (7)

23 Country provides aid in some form (5)

25 Press club (4)

Solution to Puzzle No. 5,103



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Tuesday February 22 1983

Country risk in money markets

BRAZIL'S STRUGGLE to restore foreign exchange money market deposits to branches of its banks abroad has now reached a crucial stage ahead of next week's International Monetary Fund board meeting. This is expected to approve loans totalling \$4.9bn (£3bn) to help the country through its \$83bn debt troubles.

The IMF has always attached particular importance to the money market aspect of the Brazilian rescue package—in addition to some \$4.9bn in new medium-term loans from commercial banks, refinancing of \$4bn in maturing debt and the maintenance of short-term trade credit lines. The money market element has proved the most difficult and even at the weekend Brazil was still some \$600m short of its target for money market deposits.

Indications from both Washington and New York are that the IMF and Brazil intend to carry the struggle to its bitter end. Pressure is likely to increase on those institutions which have not yet restored money market lines. It will be applied bank-by-bank through direct appeals to the chairman.

Answer

This is in contrast to the other parts of the rescue package which have been broadly complete for about two or three weeks. Why has the money market part of the package proved so difficult?

Part of the answer lies in a general phenomenon that has built up in the Eurocredit market until the Mexican debt crisis exploded last August. Banks from developing countries entered the market in increasing numbers, setting up branches in international financial centres which were used to fund roll-over credits to their customers at home.

Brazilian banks were in the forefront of this process. They were playing an integral role in financing the Brazilian balance of payments deficit. Yet in the money markets from which they drew their funds they were not fully perceived as being part of Brazil's debt exposure.

The money markets preferred to leave the question of country risk to bankers involved in the medium-term capital markets. Their own assessment of risk was based much more closely on the track record of each individual borrowing bank.

Such gentle Committees

ONE OF the most valuable reforms introduced under the present Government was the creation of Select Committees of the House of Commons directly related to Ministers' Departments. There had been Select Committees before, but never the provision for such systematic shadowing and questioning of individual Ministers. The reform was by its nature experimental. It would have been impossible to have got the new structure right overnight and it was always understood that there might have to be changes.

More than three years on is an appropriate time to take stock, as a report of the Liaison Committee, which includes the chairmen of all the Select Committees, has recently done. By and large, the worst fears of the traditionalists who opposed the new system have not been fulfilled. The Committees have not led to any massive desertions from the floor of the House of Commons. Nor have they made the lives of Ministers and officials impossible by excessive demands on their time. On the contrary, they have elicited information which is then quite frequently debated or referred to by the whole House.

Hopes

Yet the Committees have not fulfilled the best hopes of the reformers either. At the beginning it was standing room only for the appearance of the Chancellor of the Exchequer with a lot of people failing to get in. A few weeks ago Sir Geoffrey Howe failed even to fill the Press seats. Too much deference may be one reason. The more elevated the witnesses, it seems, the gentler the questioning. And if MPs do not want to take advantage of the opportunities offered to press Ministers and officials, there is very little that the rest of us can do about it.

There are, however, further reforms that might help, some of them proposed by the Liaison Committee. Its report points out, for example, that the Central Policy Review Staff or

AFTER more than ten years as the flagship of French industrial success, the car industry—now in the throes of a dispute—has become a symbol of its sagging competitiveness.

Renault (sixth largest producer in the world) and Peugeot (seventh) have both been making heavy losses. The car industry's surplus on external trade has been shrinking fast. Labour costs, boosted in part by new government measures over longer holidays and shorter working hours, have been rising far faster than gains in productivity.

Since last year car plants in the Paris region have been hit by a series of strikes that reflect the new militancy of immigrant (largely Moslem) labour and the fears of the impact on jobs of increasing automation. Margins have suffered from the four months' statutory price freeze last year and from periods in which the franc has been over-valued particularly against the Deutsche Mark.

These difficulties come at a time when French manufacturers are facing more intensive competition in slack markets from European, Japanese and American rivals. They also coincide with a moment when French manufacturers should be driving maximum gains from the heavy investments they have made in recent years.

The Peugeot group (which includes Citroën and Talbot Marques) has just brought out the new Peugeot 205 and the Citroën BX. Renault has just launched the new R11. Both companies have invested heavily in robots and in new plants to standardise engines and gear boxes. In this sense they have so far proved to be the exception to the failure—banned by the present Socialist administration on its predecessors of French industry to modernise itself sufficiently in recent years.

What makes the car industry's problems of national importance is the central place it holds in the national economy. Directly or indirectly some ten workers are employed by the automobile sector and it accounts for some 14 per cent of French exports.

The turnabout in its fortunes has been dramatic. In constant 1982 prices French car production rose from 1.72bn in 1970 to 2.38bn in 1979. By the end of last year it had fallen back to 1.7bn. Most significant has been the French performance in the West German market. The number of French cars sold in West Germany has slumped from 286,777 in 1979 to 170,883 last year.

Import penetration by foreign manufacturers into the French market was held throughout the 1970s to under 22 per cent. Over the last three years it has shot up to 30 per cent and in January this year (possibly a freak month) to 36 per cent.

The largest gains in the French market (where under a long-standing quota system the Japanese share is held to under 3 per cent) have been made by West German manufacturers and by new models such as the Escort, Ritmo and Panda brought out by Ford and Fiat.

Peugeot (France's largest non-nationalised company) has seen both sales and profits crumble. After passing the 2m unit production level in 1978 following its takeover of Chrysler's European operations which was designed to help it achieve greater economies of scale, production fell back last year to 1.6m units.

France's car industry

The symbol that is losing some of its shine

By David Housego in Paris

At the same time after a 35-year record of continuing profits it has made a total of about Ffr 6bn of losses in the last three years—with 1982 (when the group had hoped to be back in profits on its French operations) possibly the worst year with a probable deficit of Ffr 2.3bn. M Jacques Calvet, the former head of Banque Nationale de Paris (BNP), brought in by the group to impose tighter financial discipline and now head of Automobiles Peugeot (controlling the Peugeot and Talbot marques), says the group expects to be back in the black this year. But it is a calculation that depends critically on avoiding another costly strike.

Otherwise Peugeot could be faced with several unpleasant options. Amongst these might be compromising its cherished independence by seeking financial aid from the Government—possibly in the shape of subsidised loans; continuing to hold back on further investment and thus jeopardising its long-run ability to develop new models and to automate its production further; or even disposing of its loss making Spanish and British subsidiaries.

Financial analysts believe that Peugeot would have difficulty in securing a fourth year of losses. Shareholders' capital has shrunk from Ffr 13.6bn at the end of 1979 to

Ffr 8.5bn at the end of last year as the company has dipped further into its reserves. Its short term, medium and long term debt has meanwhile risen to a dizzy Ffr 26bn.

In sharp contrast Renault had a record sales year in 1982 boosting world production to 1.96m units as compared with 1.76m in 1978.

The overall loss of market share in France and Europe (though Renault has lost ground in West Germany and Britain) has been most pronounced in the case of the Peugeot group. But Renault is likely to make losses approaching Ffr 2bn last year after a Ffr 67m loss in 1981.

As a nationalised company it can look to the state for fresh injections of capital—it has just received an additional Ffr 1.6bn this year. But it is well aware that with public sector losses (monopoly and competitive enterprises) totalling last year close to Ffr 30bn, the Government's purse is limited.

"Our problem," says a Renault official, "is not our product. Our problem is economic and financial. We need to make money to finance our investments."

It is against this background of a worsening financial situation that the problems of renewed strikes and rising labour costs loom so large. The Peugeot group, which had not had a strike for several years, lost 100,000 cars last year and



Renault workers demonstrating yesterday at Flins

Renault lost 40,000 alone last month.

The disputes have not touched the highly automated plants manned by a largely French workforce that Renault has at Douai or Peugeot at Rennes or Valenciennes. They have been confined to the large plants in the Paris basin—Flins and Billancourt where together Renault employs 36,000 people. Citroën's Aulnay factory (8,500) and Talbot's plant at Poissy (14,000).

The bulk of the assembly line workers in all these factories are immigrants, mainly North African, drawn to France during the period of high economic expansion of the late-1960s and who risk being displaced as these plants are automated and shifted out of Paris.

An unpredictable combination of the arrival of a left-wing government in France in 1981 and the new mood of confidence in the Islamic world have made them politically more assertive and more resentful of the monotony of the production line. They are also less averse than French workers by appeals to restraint that invoke the national interest.

At Citroën's Aulnay plant, in particular, the labour troubles have been made more acute by the abrupt shift in power that has taken place since May 1981. The right wing "house" union supported by an authoritarian management enforcing labour

discipline has been ousted from its position as almost sole union representative by its Communist-led rival, the CGT, provoking an almost daily trail of violence as the two sides settle old scores.

Government officials see no short-term answer to the problems of immigrant labour in the car industry which could spread to other sectors of industry which employ large numbers of the 2m immigrant workers in France. Revisiting the dangers at stake, ministers have been taking a tougher line both towards the immigrant leaders—playing on their insecurity in France by branding them as "religious fundamentalists" in the words of M Pierre Mauroy, the Prime Minister—and towards the CGT.

At the same time the Government has been pressing the automobile manufacturers towards making concessions. In an effort to settle the dispute at Flins last month, Renault was encouraged to offer an overall pay increase across the group for production workers amounting to 10-11 per cent which has blown a hole in the Government's 8 per cent pay guidelines for this year and horrified the rest of French industry. This comes on top of a 17 per cent increase for assembly line workers last year (substantially less for management officials).

In addition, Renault reckons that the introduction of the 39-hour week and a fifth week's paid holiday cost it last year Ffr 850m or 5 per cent of its wages bill. The Peugeot group, which increased hourly wages for production workers last year by some 13-14 per cent, estimates the additional cost of new social measures at Ffr 1bn. Peugeot can hardly fail this year to follow Renault's lead.

Gains in productivity—Renault claims 7-8 per cent a year and Peugeot on average 5 per cent—partly offset these rising labour costs. But a further worrying phenomenon has been the rise in the rate of absenteeism, which Renault puts at 13-18 per cent in the first nine months of last year.

However, labour troubles have been by no means the only factor weakening the balance sheet. Both groups suffered

from the price freeze introduced in June and which postponed increases in price due to have been implemented on new models launched in July.

At a group level Renault has had to carry the burden of its loss-making commercial vehicles division RVL. Peugeot is still paying a heavy price for its ill-timed decision to take over Chrysler Europe in 1978 just as the market for cars (and for Chrysler cars in particular) was turning down.

It is now just recovering from the disastrous merger of the Peugeot and Talbot commercial networks in France which provoked a large number of dealers to desert the Peugeot group in favour of imported marques. Of its anticipated Ffr 3.5bn losses last year, 50m comes from its British subsidiary and Ffr 60-70m from its Spanish operations.

Both manufacturers thus see this as a decisive year. With the new models they are launching they hope to keep space of Ford, Volkswagen and Fiat part of whose strength has been the pace at which they have been bringing out new cars.

Both manufacturers have mounted aggressive new publicity campaigns. Peugeot brings out his claws, say the Peugeot posters in France as if to defy those who might accuse Peugeot of failing strength.

Renault is looking to build on its success in the 1982. Its successful launch last year in partnership with American Motors; of the Alliance (R9). In France both groups are counting on gains in productivity and cost-cutting in the major investments already made in automation and the standardisation of components.

What worries officials is whether Peugeot can get through its immediate financial crisis and whether it has already let its level of investment fall dangerously low. The group invested some Ffr 4.5bn last year (some 5 per cent of turnover) compared with a peak of Ffr 7bn a few years ago.

Officials believe that this is the absolute minimum required to ensure that Peugeot does not lag behind in the years after 1986. But ministers assure that the Government has no wish to nationalise Peugeot—in spite of pressures from the Communists to do so—should be taken at face value. The Government is, however, ready with the type of financial assistance over research, development of new models (including an energy efficient 3 litre car) and robotisation that is available to Renault and other industries.

As their demands on the Government, both the private and the nationalised groups significantly refer back to a statement last year by M Jean-Paul Parayre, the chairman of Peugeot in which he said: "What I expect of the state is not assistance, but that it re-establishes the conditions necessary for the industry to run normally." In part that includes the freedom to raise prices at will. Both groups would have welcomed more than the 7.5 per cent the Government has allowed this year.

It probably also includes a further realignment of the franc to make good the inflation differential between France and West Germany—Peugeot would certainly be happy with a devaluation of around 10 per cent. But above all it reflects the desire that Government pursues social and economic policies that help the whole of French industry to hold down costs and boost competitiveness.

RENAULT AND PEUGEOT AT A GLANCE

	1978	1979	1980	1981	1982
RENAULT*					
Employees	106,310	106,740	103,219	103,123	—
Profits Ffr bn	+13.8	+69.7	+303	—875	—
Production (France)	1,24m	1,40m	1,49m	1,29m	1,49m
Exports†	629,373	724,344	729,562	653,291	778,468
Share of French market %	34.2	34.9	40.5	38.8	39.1
PEUGEOT PSA					
Employees (automobiles)	160,110	156,165	143,782	118,373	—
Profits Ffr bn	+1.3	+1.2	+1.5	1.59	—
Production (France)	1,66m	1,81m	1,44m	1,31m	1,28m
Exports†	949,983	963,560	750,090	728,311	675,434
Share of French market %	44.9	43.3	36.5	33.0	30.3

* La Regie Renault (automobile division). † Completed cars from France. Sources: Motor Industry Federation, Renault and Peugeot.

Men & Matters

Not spoken here

The long-running — and some would say hopeless — battle in France against the use of Franglais, and in defence of the French language as it should be spoken, has claimed an unusual victim.

That bastion of French respectability and culture, the Paris Opera, has been ordered to pay Ffr 1,300 damages for selling a programme written in English.

A civil court has ordered the opera — which is one of France's national theatres and thus has quasi-official standing — to pay the money to the General Association for Users of the French Language (AGULF). The opera house broke the law governing the use of the French language in public when it produced a programme for the New York and London musical hit *Bubbling Brown Sugar* — and took the view that such a mid-Atlantic show should be supported by English language programme notes.

In a spirited new defence of *La Vie Parisienne* the French communications ministry has published a list of 127 expressions of English origin saying "It shows how power can isolate and that basic neurosis that once you've made your first mistakes, you're driven to eliminate your friends and supporters..."

Insight

Never one to miss a chance to get a word in edgewise, Greater London Council leader Ken Livingstone has now got himself on video.

He is featured this week on Movie No 2, Catalyst Video Publishing's 60-minute cassette magazine which is viewed by some 250,000 video film buffs throughout the country. Livingstone talks about his favourite film, *Godfather II*. The film, he says, is "so in-

exorably effective in terms of what it says about how ordinary people relate to power and how it changes them..."

"It shows how power can isolate and that basic neurosis that once you've made your first mistakes, you're driven to eliminate your friends and supporters..."

Perks

I see that Super Bike is advertising for a "sub-editor/production person" and the fringe benefits are not to be sneezed at.

"The successful applicant would immediately qualify for the use of a company pencil rising to a Biro on satisfactory completion of a trial period."

A chance to make an indelible mark in one's chosen profession.

Bosses' jobs

Have all the high fliers flown their London nests this winter for warmer climes?

Peter Kraushar runs a busy business development consultancy, which is devoted to stimulating the growth of many of the household names in consumer goods.

But the most urgent problem now facing Kraushar is how to stop his own business grinding to a halt because of a shortage of good people. Having expanded by 40 per cent in the past year and moved into new offices in Arundel Street off the Embankment, his drive for growth has been stopped short.

Kraushar says he simply cannot find the new executives he needs. He has advertised three times lately a mouth-watering list of six jobs with salaries in the £13,000 to £20,000-plus range. He wants new marketing executives including "three high fliers" together with a managing

director for Mintel Publications. So far, he has had only 20 applications for the jobs of whom only two or three people could be considered reasonable, he says. He sums up the total response to his clutch of job offers as "desperately disappointing".

The advertisements promise that the lucky candidates will get the chance to work on some of the most challenging development problems in Britain.

Is the prospect too daunting. I wonder...?

Card sharps

Some odd goings-on in London's postest postal districts—N1, SW1, SW3, SW7, W1, and all that lot.

Barclaycard has decided not to send cardholders in these rich purloins their plastic cards through the post in the usual way. It is all part of the fight against fraud.

My Mole at Barclaycard's Northampton HQ tells me the criminals follow postmen around and know how to recognise the Barclaycard envelope. "They penetrate the lobbies of houses with several tenants, tear open the envelopes and go on a spending spree with someone else's card."

Barclaycard is sparing no expense to fight this up-market crime wave. "We sometimes hand-write the address in order to disguise the envelope. Or even post it from somewhere other than Northampton."

Overseas even greater dangers lurk. The best Barclaycard minds are worried about illicit use of the cards in Italy, Nigeria, India and Iran. "And if that isn't enough," says my friends "there's always SE25—lots happening there."

Short circuit

It seemed a bright idea. Since Guernsey's Treasury accounts

are to be handled by the local electricity board's computer, why not get the islanders to pay all their Government dues at the electricity showrooms?

The island's finance committee arranged a parliamentary debate on the proposal for tomorrow.

Then came a protest from the telecommunications board which said that such a scheme did not meet its requirements and the "need to interface" with its own computer.

The water board, involved in its own computerisation as well, was equally unenthusiastic.

Then up rose the local branch of the National Federation of Sub-Postmasters to suggest that all bills should be paid instead through the island's 17 sub-post offices to save car journeys into town.

Finally the chamber of commerce objected that local electrical traders would suffer unfair competition if people kept visiting the electricity board's showrooms to pay their bills.

The finance committee has now rather irritably said that it will ask tomorrow for the proposal to be withdrawn for further consideration.

Irish times

I am indebted to The Irish Times for this story: The Englishman was having his first parachute jump over Farnborough airport. In spite of all his efforts, he could not get the canopy to open.

Then, as he hurtled towards the ground, he saw the Kerryman, spanner in hand, rising to meet him.

"Know anything about parachutes?" the Englishman screamed as they passed in mid-air.

"No," yelled the local. "Know anything about gas cookers?"

Observer

What's coming from Abbey National that can cut the cost of paying bills?



ABBEY NATIONAL MONEY SERVICE

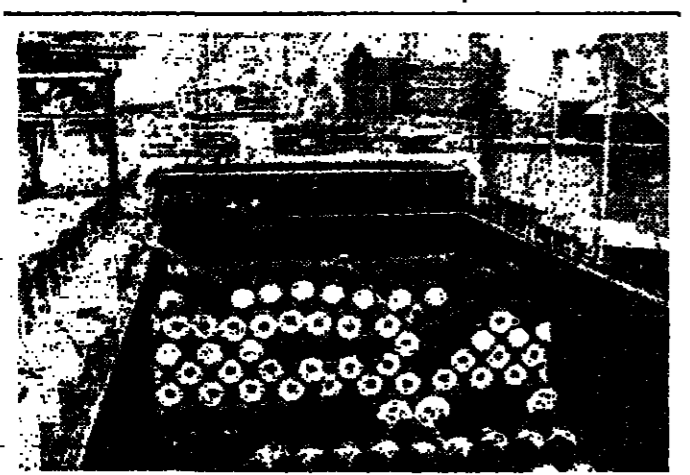
ABBEY NATIONAL BUILDING SOCIETY 27 BAKER STREET LONDON W1M 3AA

Letters to the Editor

Hobbled by inadequate capital

From Mr. E. Branson
Sir—The response for doubting that increased international Monetary Fund funding will solve international debt problems are thoughtfully canvassed in your editorial of February 14. The criticism arises as the private banking sector cannot deal with the problem because it is hampered, particularly in the U.S.A., by inadequate capital. The following suggestion might form the basis for a lasting solution with a minimum of government involvement.

The Federal Reserve would require that all banks make prudent provisions against principal and interest on foreign loans, on the same basis which would apply to a commercial credit. A sale of common stock would be mandated to restore desirable capital adequacy ratios. The shares would be sold through a "rights issue" and of course other private parties could subscribe for stock not purchased by the existing shareholders. The Federal Reserve would agree to subscribe for shares not purchased by the private sector. Any stock so purchased would be non-voting until sold back to a private party. Resale would be mandatory within a reasonable period, perhaps five years. The Federal Reserve would, in any case where it was forced to purchase a significant amount of stock, require as part of its underwriting agreement the resignation of the directors of the bank in question. Replacements would be elected by the voting shareholders only, in the customary manner.



Two-tonne drums of radioactive wastes aboard the Gem.

Sea-dumping nuclear waste

From the Scottish Campaign to Resist the Atomic Menace
Sir—We would like to make a few comments on David Fishlock's article on sea dumping of nuclear waste (February 9). The whole nuclear waste sea disposal option is based on the assumption that any radioactivity released will be diluted and dispersed by the oceans and their currents. Professor W. Jackson Davis, a marine biologist at the University of California, however, was commissioned by the San Francisco authorities to analyse the reports of a series of deep-water surveys carried out between 1975 and 1978 of abandoned Atlantic and Pacific dumpsites. His findings included: "Hundreds of animal species have been found living in the dumpsite sediments and the evidence that the canisters of radioactive wastes create artificial habitats that attract living forms, potentially accelerating the entry of radioactivity into the food chain." Not only are barrels out of sight, at 4,000 metre depths, they are also out of reach.

What is meant by "Ministry of Agriculture, Fisheries and Food has caught fish... and found them 'not significantly different' in activity from other deep-sea fish"? What exactly is "not significantly different"? David Fishlock is in fact wrong.

Union-bashing monetarists

From Mr. J. Lewis
Sir—D. Davies's criticism (February 17) of the Government's policy on port privatisation could be repeated in relation to other industries, and I think it is fair to ask how much the Conservatives still believe their traditional arguments about private enterprise being the road to efficiency and prosperity. Why have they made a priority of denationalising industries which are unprofitable, thereby giving private enterprise a chance to cure them, as it is supposed to do?

Instead, all we can see are the money-grubbers (like Cable and Wireless, which was able to hold its price for 35-odd years at 1944 levels) and other profitable businesses being sold, while British Airways is currently being pressed to get back into the black under nationalised management so that it can then be privatised. If it cannot be claimed that

Allotments and the investor

From Mrs. E. Taylor
Sir—When a really good company comes newly to the market the "big boys" (the pension funds, institutions, etc.) having substantial funds, apply for many more shares than they expect to get, or even want. This causes massive over-subscription.

As all cheques are presented for payment on receipt of application, the small investor can only afford to apply for such shares as he really needs. The result is that when the shares are allotted he loses out all round receiving only a trifling

Employee share ownership

From the Chairman, Wider Share Ownership Council
Sir—Your editorial (February 16) reminds us that the case for tax discrimination in favour of house purchase is that the relief given to mortgage interest payments has introduced regrettable distortions into the economy.

This council is urging the Chancellor to grant tax relief on loan interest involved in the purchase of shares by employees and to consider other reliefs designed to encourage wider share ownership more generally. It has to be recognised that such measures would complicate the tax system still further and we might not feel obliged to propose them if the discrimination which you criticise were removed. But the right way to do this is not to disallow the relief but to return to the sensible and logical system in all the years before 1966 and still operated, as you point out, in North America today. You object to this solution because, you say, it results in a higher level of interest rates generally and internationally; but for this there are many other explanations and there are other and more desirable corrective measures available. I do not recall that the years before 1966 were years of high interest rates in either the UK or the U.S.

What I recall is that general relief on loan interest was discontinued (by the first Wilson administration) largely because—owing to a temporary anomaly in the market, which like other market anomalies, would have corrected itself—a few smart players were able to make money by borrowing from the bank and investing the proceeds in the gilt-edged market. As so often, political resentment led to a bad economic decision, a decision reversed by Mr Heath but re-imposed by Mr Wilson, with the regrettable

Return on overseas flows

From the General Secretary, The Labour Party
Sir—"For Labour and the TUC to complain about the outflow (of capital) when it believes sterling to be overvalued is, in fact, perverse," writes John Pender (Lombard February 11).

Not so. Sterling has been overvalued in the last three years as a result of the Conservative Government's policies of forcing up interest rates and depressing the home economy. The consequence has been a damaging loss in competitiveness which has contributed to the tragic loss of jobs in industry.

There is nothing inevitable about the overvaluation of sterling. More expansionary fiscal and monetary policies would have meant a growing economy and a lower pound (even with exchange controls), bringing a double benefit to industry.

Meanwhile, the abolition of

Symmetry for zero coupon bonds

From Mr. S. Millman
Sir—I was unable to attend the seminar on zero coupon bonds, so I may be repeating some remarks made there, but I do feel that some comment on Lex (February 16) is due.

Taxing investors on interest accrued, but not received, would greatly undermine investor acceptance of such bonds, whether the tax computation is straight line or compound. For a 50 per cent tax rate on a 10-year issue, accrual taxation could reduce investors' "normal" 12 per cent yield by about 3 per cent p.a. Alternatively, this reduces the bond's value at issue by about 55 to 58. Accrual taxation will kill the potential market because it gives the borrower all the advantage at the expense of the lender, whereas market arbitrageurs such as leasehold sections 223 loans must share the available benefits fairly evenly if the two sides are to meet in a reasonable volume of transactions.

Seeking a tax subsidy for zero coupon or any deep discount bonds seems unlikely to succeed and, as Mr Ratcliffe wrote (February 17), wrong in principle because it adds another significant distortion to the cost of capital in the sterling markets. Why should our

Misunderstood cable technology

From Mr. C. Goodall
Sir—As Mr Chittock (February 15) points out, cable technology is widely misunderstood. This ignorance is allowing the Department of Industry to set standards in a vacuum. In line with past practice, oil fields it will set unrealistically high performance goals at huge expense to cable operators. If cable TV is to develop quickly there needs to be active promotion of the accurate evaluation of rival technologies.

For the sake of brevity allow me to correct some potential misunderstandings in Mr Chittock's article. "Tree and branch" systems do not require new TV sets. Almost all TV sets are compatible with cable of any sort. Current best practice coaxial technology allows about 40 channels, not 30 as stated. No one has suggested that consumers have to buy "tree and branch" home equip-

The Polish Economy

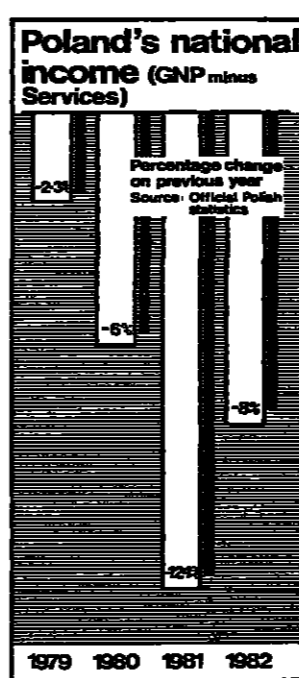
A tug-of-war over reforms

By David Buchan, recently in Warsaw

BLACK IS turning white in Poland. Under the bald heading of *na czarnym rynku* (on the black market), a Warsaw consumers' weekly now publishes a useful index for Poles in their illegal dealings with the ubiquitous currency traders.

Its latest index advises readers that, for a one dollar coupon cashable in the Pewex hard currency shops, the buying rate is 450 zloties and the selling rate 430 zloties. In theory, this black marketeering is highly improper, not to say illegal. The only rate at which genuine greenbacks or ersatz Pewex ones can be officially traded is 55 zloties. But the fact that this regular index draws little more comment than weather reports is graphic confirmation that the Jaruzelski Government's efforts to make Poland more market-minded have had only partial, and sometimes unwelcome, success.

So far, the Government's economic reforms have proved a disappointment to many Poles and to Poland's western creditors. For Poles this stems partly from a widespread confusion between longer-term economic reform and short-run economic performance. The latter is still pretty abysmal. National income fell another 8 per cent last year, to a level 25 per cent below that of 1979. Industrial output reversed its three-year decline last August, but still ended last year 2 per cent down on 1981. Poles were led to believe by some ministers that the economic reforms, introduced with martial law, would be a speedy tonic for the economy.



Source: Official Polish Statistics

Martyin Barnes

banks and governments may have harboured no such illusions about fast progress. But, with \$25bn of their money still locked up in Poland, they have every desire for the reforms to succeed. Poland is now requesting the Western banks a three-year rescheduling of its debts maturing within 1983-85, and one of the judgments the bankers must now make is the effect of the reforms in that period.

The thrust of the reforms is to remove the dead band of detailed central direction from individual enterprises or companies, and to let them swim or sink by their own success or failure. In capsulated East European terms, it is a move

away from the Soviet model towards the Hungarian.

The problem is that, broadly speaking, the reforms have affected the demand side of the economy—wages and prices—but had little impact on the supply side—output, labour rationalisation and productivity. The upshot is that wages and prices have spiralled upward, while the slump itself has produced no shake-out of bad companies or excess labour.

A year after many of the reforms took effect, the mixed picture looks like this:

● State-run companies are free to charge what they like within a category that now covers 15 per cent of consumer goods and 60 per cent of industrial goods. This helped fuel last year's 105 per cent rise in the cost of living index.

● Companies are freer to decide how and when to raise their workers' wages. Total wage disbursements rose 70 per cent last year. An inconvenient surge, over which the Government had little direct control, came in December when Christmas bonuses pushed pay 25 per cent higher than in November.

● Companies are in theory freer to set their own production targets. But the Government has "operational pro-

grammes" and "state contracts" which bind firms to supply certain key goods in short supply. These cover 30 per cent of industrial production and include vital semi-manufactures like rolled steel sheet or components like car tyres and batteries.

● Companies are in theory freer to hire and fire workers. Given the country's 1930s-style slump, this ought to lead to substantial unemployment. In fact labour shortages exist in many sectors. Some 400,000 people took advantage of an early retirement scheme last year to leave "dirty jobs" in industry.

● Companies are supposed to stand more on their own financial feet, without automatic recourse to banks. Some 900 enterprises hit financial problems last year. All but one of them, a building company which went bankrupt, squeezed more credit from banks or subsidies from ministries. The Government is drafting a bankruptcy law to replace legislation dating from 1934.

One drag on the reforms is quite simply, poverty. Poland's economy is so weak that it now lacks enough consumer goods to reward higher productivity and enough industrial goods to make higher production possible. With or without Western sanctions, Poland cannot get goods on credit from the West, while from the East it has had only limited help from the Soviet Union (in the textile industry) and Hungary (in buses and colour TV tubes).

Compounding this is the essentially political problem of lack-lustre interest by workers in either the newly revived workers' councils or the new trade unions replacing Solidarity.

Another basic flaw is lack of competition. This did not matter, indeed it was inevitable, when the Polish economy was entirely run from the centre. But now the reins on individual companies have been loosened, it has created serious distortions. Nearly four decades of tight central planning have given Poles an ingrained resistance to accepting competition in the form of bankruptcies or lay-offs. This may change slightly this year, with a redesigned wage levy which bears most heavily on companies employing excess workers and which will fund the retraining schemes.

Not only the attitudes, but also the structure, of Polish industry, militate against com-

petition. The country has a preponderance of big companies. More insidious, it has cartels. These "industrial associations," as they are politely known, were formally dissolved last year because their only rationale lay in carrying out the old-style directive planning. But like persistent amoeba, many of the cartels have coalesced again, as Professor Zdzislaw Sadowski, vice-minister for economic reform, complains. He plans a new anti-cartel law to crack this.

The task, however, will not be easy. Many Polish companies, especially the weaker ones, still cling to the sureties of cartel life: joint fixing of prices, output, market share. There is, too, a suspicion by independent economists here that, for all its profession of trust-busting, the Government is not unhappy with the survival of some cartels or associations through which it can organise emergency production.

The nature of cartels is to blame any of their ills on outsiders invading their patch, and the outsiders in this case are the 300 or so small foreign-owned Polonia firms. They have been allowed to plug some of the yawning gaps in the Polish market, and their output has soared (by an annual rate of 500 per cent in 1982 and probably by 300 per cent this year).

Public criticism has recently turned on the Polonia firms. Their private character disturbs ideological conservatives and some of the charges of overpricing and indifferent quality are justified. But their very success, despite these deficiencies, confirms the fundamental lack of competition still in the Polish economy.

Economic reform has reached a critical stage at which it must probably go forward or back. "All the new freedoms for companies will disappear unless there are comparable institutional changes at higher levels, the ministries, the planning commission, the industrial associations," says one independent economist.

The Jaruzelski Government itself is being pulled both ways—back by its conservatives capitalising on public dislike of price inflation, the first bitter fruit of economic reform, and forward by its technocrats. The tug-of-war must be resolved. Until it is, Poland's black market will remain better organised than its white market.

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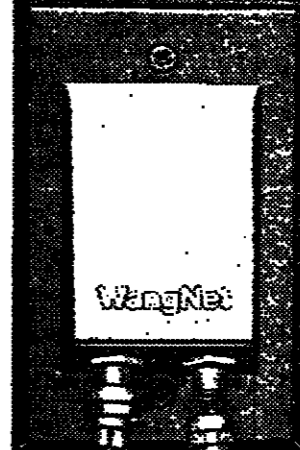
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FINANCIAL TIMES

Tuesday February 22 1983

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AMERICAN SYSTEM PREFERRED TO EUROPEAN

UK chooses TACS cellular radio

BY GUY DE JONQUIERES IN LONDON

THE UK Government cleared the way yesterday for the launch of new mobile communications networks designed to bring radiotelephones within reach of hundreds of thousands of subscribers within the next few years.

Mr Kenneth Baker, Minister for Information Technology at the House of Commons, told the House of Commons that operators of the two planned networks had agreed to adopt a cellular radio system called TACS, which will be based on the AMPS standard in force in the U.S.

Cellular radio vastly expands the capacity of mobile communications networks by using frequencies more efficiently. In a cellular system, an area is divided into many small "cells," each served by a computer-controlled transmitter-receiver.

Network operators expect to offer portable telephones as well as vehicle-mounted units.

Though TACS still needs some further development, Mr Baker said that plans to start the networks in January 1985 could proceed on schedule. Tenders for equipment are expected to go out in the next two to three months.

The Government plans to grant one operating licence to Seel, a joint venture between British Telecom, the state telephone operator and Securicor, the security services company, and the other to a private consortium headed by Racal Electronics. The two networks will compete nationwide.

The licences will stipulate that equipment for the networks must be made in the UK. But it seems likely that much of it will be supplied by the British subsidiaries of foreign companies. No British-owned manufacturer at present makes the complex computer-controlled exchanges needed for cellular radio systems.

Among the leading suppliers of cellular radio equipment are Motorola, Sturmo, American Telephone and Telegraph and International Telephone and Telegraph of the U.S., L.M. Ericsson of Sweden, CIT Alcatel of France and Nippon Electric of Japan.

Racal, which says that its consortium plans to invest £200m (\$306m) in its system, will make some equipment itself. Special arrangements will be made to ensure that it does not receive unfair preference over rival manufacturers.

At present, only the four Nordic countries are operating a commercial cellular network in Europe. The British Government claims that TACS offers a number of advantages over the Nordic system because it will have a higher capacity and will be better suited to densely populated areas.

The decision on TACS was reached after months of intensive discussions involving the Government, the prospective network operators and government authorities in other parts of Europe. The consultations with European governments would continue.

Mr Baker said yesterday that the new services could create as many as 12,000 jobs in Britain by 1990. Mr Baker hoped that other European countries would join the UK in adopting TACS as the standard for the cellular radio networks.

Details, Page 6

Chase sees threat to stability from oil price cuts

By Carla Rapoport in London

LOWER OIL prices will significantly undercut oil companies' earnings by the end of the decade and will threaten the political stability of a number of Opec countries, according to two reports to be published by Chase Manhattan Bank tomorrow.

The reports make predictions based on both high and low oil prices for the rest of the decade but, in the wake of the recent price cuts in Britain, Norway and Nigeria, the bank's predictions on falling oil prices are particularly timely.

The studies show that an oil price collapse to \$25 a barrel would reduce the cumulative net income of oil companies between 1981 and 1990 by more than a third compared with income if prices remained at 1982 levels.

The bank projects that Opec exports will be higher in 1990 by 300,000 barrels per day, but oil revenues will be 20 per cent lower because of the price collapse, at around \$318bn in 1990 compared with earlier predictions of \$394bn.

This revenue drop will be particularly difficult for many Opec countries. Saudi Arabia and its Gulf neighbours are not expected to be dramatically affected, but Chase predicts the economic expectations of Algeria, Libya, Nigeria, Gabon, Indonesia, Venezuela and Ecuador will have to be "dramatically reduced."

One of the reports notes: "This might not be possible without political disruption in some of the countries."

The reports give the following revisions to their predictions on oil companies' cash flow, profitability and investment in the wake of collapsing oil prices:

- Reduced cash flow will lead to a 17 per cent reduction in cumulative capital expenditure from \$1.77 trillion (million) if oil prices had held, up to \$1.46 trillion following weaker prices.

- Reduced cash flow and lower expected return on investment will cut investment in drilling, exploration and production by 17 per cent.

- Reduced spending on exploration and production will in turn lower 1990 crude oil production by 1.1 m b/d and natural gas production by 5 trillion cubic feet per year.

- Reduced cash flow and lower profitability will lead to lower U.S. crude production in 1990 by 600,000 barrels per day and by 500,000 b/d in Western Europe.

- A reduction of 14.3 per cent in investment in pipelines and tankers, 14.6 per cent in refineries, 15.4 per cent in petrochemicals, 16 per cent in marketing and 34 per cent in non-traditional oil and gas activities.

One of the critical assumptions of these projections is a lower level of economic growth, in turn the major contributor to the lower crude oil path.

Chase says the next eight years may see both low oil prices and low economic growth. According to this scenario, it forecasts a compound average growth rate for oil products of only 0.5 per cent between 1981 and 1990 in the non-Communist world.

Energy Outlook Through 2000 (S175) and Petroleum Industry Investment in the Eighties (\$100). Energy Economics, Chase Manhattan Bank, One Chase Manhattan Plaza, New York, NY 10081.

Caracas set to impose foreign currency curbs

Continued from Page 1

Sunday that further flight of capital could ruin the country. He revealed that his military government did not have the dollars to buy arms to fight off the growing challenge from left-wing guerrillas.

Guatemala has been in negotiations with the International Monetary Fund for assistance needed because of a sharp drop in reserves from \$377m at the end of 1980 to \$127m at the end of last year. The balance of payments deficit last year has been put at \$550m. The Rios Montt regime has been firmly rejecting IMF suggestions of more austerity lest already high unemployment rise further and more bankruptcies occur.

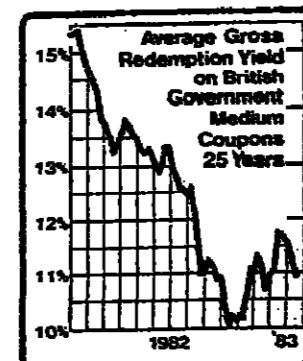
Export earnings this year are expected to be hit by a contraction in tourism because of the country's civil war, an outbreak of coffee rust, and falling international prices for crude oil, of which Guatemala has become a small exporter.

THE LEX COLUMN

Mesmerised by an Opec blow-out

Nigeria's unilateral price cut has pitched Opec over the edge of the price spiral abyss, and the cartel will need crumpons to pull itself out. The odds on the Saudis and their Gulf allies re-establishing price leadership have become much more finely balanced. Even if they do succeed, the reference price looks likely to emerge at least a dollar below the widely anticipated \$30 a barrel.

With the U.S. celebrating Washington's birthday, there was no clear lead in international markets: thin trading was the order of the day on the foreign exchanges gilded and oil spot markets. In equities, the banking and oil sectors were the inevitable weak spots, although as yet there is little sign of discrimination. The North Sea exploration stocks most vulnerable to a lower oil price regime, such as Sovereign, Clyde and Lasso, have reacted little differently to the majors.



Reflecting this, rates were at a comfortable equilibrium after the cut-throat levels seen in late 1981. Falling interest rates must have done wonders for lessors, whose portfolios are dominated by fixed-rate contracts, while the bad debt experience remains manageable. To crown it all, there is no embarrassing froth in the figures, such as double dip foreign financing, which has in the past triggered corrective Government legislation.

In 1982, the main engine behind a 30 per cent increase in new UK business - to £2.7bn - seems to have been demand by large corporations whose own taxable capacity has been exhausted by the squeeze on profits. An overhang of business from 1981 has probably exaggerated the gain: averaging the increase over the last two years produces a more realistic growth rate of 11 per cent a year.

In the sluggish climate for capital expenditure, this suggests that leasing has pushed up its market share from 11% per cent to 13 per cent. But with so many uncertain variables, it would be remarkable if progress through 1983 remains as smooth.

Lloyd's

Lloyd's new disclosure proposals, which could lead to wider if not total revelation of the degree of conflicting interests which permeate the market, have encouraged the ruling council to take an early initiative.

By a resolution at their meeting yesterday the council members have agreed to declare their business interests to each other, while the working members of the council are likely to tell underwriting members, whose affairs they look after, of their business interests. But without an eventual by-law, covering disclosure provisions for the Lloyd's market without exemption, council members would still have considerable licence to decide what they regard as necessary for disclosure on their own account.

Furthermore the question of Lloyd's jurisdiction has yet to be defined. Should the external members of the council - the non-working members of Lloyd's - be affected by the proposed disclosure rules, let alone the three independent members? And the issue of the future regulation of the Lloyd's brokers' governing non-Lloyd's business is still unresolved.

Leasing

The leasing industry put on a rousing performance of Oklahoma yesterday, with everything going its way. According to the Equipment Leasing Association's figures, volume in 1982 grew strongly, with demand moving up in line with supply.

Meanwhile, it has lifted its dividend and the shares at 180p after a yield of 5.9 per cent.

Japanese plan 100-knot tanker

By Andrew Fisher, Shipping Correspondent

JAPAN CLAIMS to be in the final development stage of a "dream ship" able to speed over or under the water at 100 knots.

Such a vessel, carrying cargo or passengers, would not use conventional engines or propellers, according to Sea-Japan, the magazine published monthly by the Japan Ship Exporters' Association.

Instead, it would have a powerful superconducting electromagnet using liquefied helium of minus 269C - not far short of absolute zero.

Scientists outside Japan are sceptical but not totally dismissive. Some contacted in the UK believe that though the technology may be there, a lot of costly development work would be needed.

They also questioned the operating costs of such a vessel and thought speeds of 100 knots - some five or six times faster than present speeds - were far-fetched. Cost and economics were not dealt with by Sea-Japan.

Open sea tests soon start with a small prototype ship, and a blueprint has already been drawn up for the first commercial version - a 10,000 tonne submersible tanker to cruise at about 100 knots.

The project is the work of a team at Kobe University of Mercantile Marine led by Professor Yoshiro Saji. Tests with model ships "confirmed that the theory behind the new system is correct," he said.

Power would be created by the reaction between the electromagnet in the ship and a magnetic field in the sea charged with electric current. Sea water would pass through a pipe into the hull containing the electromagnet and electricity would be sent perpendicularly through electrodes in the water. The resulting reaction at right angles would thrust the water back and the ship forward.

"It's a very interesting development, but it can't come along very fast," said Dr Anthony Appleton, a technical director at International Research and Development, part of Northern Engineering Industries.

Dr Appleton, who has worked on other electromagnetic systems and applications, including some on conventional ships for the British Navy, added: "Economically, it may be difficult to justify."

Corrosion is one negative aspect cited by UK scientists. Another, admitted by the Japanese, is the pollution caused by the chlorine gas from the reaction. Research on overcoming this continues.

Qatar to spend \$4bn-\$6bn on project to export liquefied gas

BY KEN WHITTINGHAM IN QATAR

QATAR IS to spend between \$4bn and \$6bn over the next seven years on a project to export liquefied natural gas from its huge North Field non-associated gas reserves.

British Petroleum (BP) and Compagnie Francaise des Petroles (CFP) will become shareholders in a new company to be formed with the state-owned Qatar General Petroleum Corporation (QGPC) to carry out the project, which will last for 20 years.

It is the biggest to be undertaken in Qatar's programme of industrialisation and diversification away from dependence on crude oil revenues.

Qatar's North Field contains proven reserves of 110bn-112bn cu ft. It was discovered in 1972 and is one of the biggest in the world. Sheikh Rashid Oweida al-Thani, deputy director-general of QGPC, said the project would use only one tenth of the reserves during its 20 years.

Six million tonnes of LNG will be exported annually once production begins probably in 1985-86. The selection of BP and CFP follows some three years work by the project committee and tough negotiations with five companies who were invited to tender for the project. BP and CFP were selected because they presented the best technical and economic offers, the committee chairman told Qatar News Agency in announcing the project.

Representatives of QGPC and the two foreign companies were holding their first joint meeting here yesterday to work out details of the company to be established shortly and a timetable for the project.

Once the company is formally established and the shareholdings agreed the two international companies will be responsible for finding purchasers for the LNG on 20-year contracts, Sheikh Rashid said.

This process could take two to three years, and this phase will be completed before work begins on developing the field - 40 kms off the north-west coast of Qatar - for production.

Japan, which has topped the list of exporters to Qatar for the past few years and is a major customer of oil, is expected to be the major buyer of LNG, according to Sheikh Rashid. Korea, Taiwan and European nations have also shown interest and QGPC has already received many enquiries from potential customers, he noted.

Survey, Section IV

Bleak reaction to cruzeiro move

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZIL'S BUSINESS and banking community was in a state of shock yesterday after the 23 per cent devaluation of the cruzeiro.

Reactions to the Government's surprise move on Friday were uniformly bleak, with comments ranging from "disaster" to "alarm" at the seemingly spur-of-the-moment decision.

"This will kill a number of companies," already weakened by high interest rates and sluggish demand, said Mr Ken Hunter, British Chamber of Commerce in Brazil chairman.

Brazil's leading businessmen, many of them heavily indebted in foreign currencies, were equally gloomy. Few commercial banks believe that domestic interest rates will fall in the near future in response to the devaluation. Sr Antonio Delfino Netto, Planning Minister, undoubtedly hopes they will.

Yesterday, the money markets in Rio de Janeiro and Sao Paulo were in a state of confusion as bankers waited to see what additional measures Brasilia will take to cushion the inflationary impact of the devaluation.

Sr Ernane Galvies, Finance Minister, indicated at the weekend that the authorities are determined not to relax their grip on the money supply in response to the deepening crisis in manufacturing industry.

The capital goods sector declined by 14.4 per cent in the year to last November, after a fall of 18 per cent in the previous 12 months. Meanwhile consumer demand has been depressed by the upward swing of inflation - exceeding 100 per cent - and by the reduction in real wages decreed by the Government last month.

"All the Government's attention is on the situation overseas," one Western banker said yesterday. The coming week is expected to be decisive for the conclusion of the commercial banks and International Monetary Fund loan packages. A key goal of the devaluation is to enhance Brazil's prospects of reaching a \$8bn trade surplus this year, compared with \$775m in 1982. But businessmen were complaining yesterday that the shortage of export finance was crippling their overseas prospects.

Bankers and businessmen agreed that in isolation the devaluation would not be sufficient to encourage borrowing abroad and thus relieve the pressure on domestic interest rates.

More serious damage was done to Slavenburg's reputation last year when one of its clients, F and S Properties, was at the centre of a major property scandal. Police inquiries into F and S Properties have led them to question the nature of the relationship between the bank and the now collapsed company.

One of the reasons for Friday's raids is thought to be the seeking of further information in relation to F and S, and government officials have suggested that the Slavenburg's branch involved acted as a "financial shield" between the failed company and its creditors.

Since its takeover by Credit Lyonnais, Slavenburg's has been trying to re-establish its somewhat tarnished reputation in a country where bankers are renowned for their probity.

On another occasion recently, thieves breaking into an Amsterdam branch removed millions of guilders, a veritable hoard of jewels and a quantity of bond certificates from numbered deposit boxes. The thieves were caught the next day.

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Dutch bank clients reassured

BY WALTER ELLIS IN AMSTERDAM

SLAVENBURG'S Bank, the sixth largest commercial bank in the Netherlands, said yesterday that there had been no run on its assets following last Friday's police raids on its Rotterdam headquarters and branches in The Hague and Dordrecht.

The bank was operating normally yesterday following a flurry of official statements over the weekend intended to allay depositors' fears and clarify the intention behind the raids. The Dutch central bank moved quickly to guarantee cash support if funds should be required, while the finance and justice ministries stressed that police inquiries were not directed against Slavenburg's as such but against a number of the bank's senior employees. The central bank later added that it saw no grounds for concern over the ability of Slavenburg's to meet its obligations.

According to Mr Jan Schoonaard, head of the fraud department of the Rotterdam public prosecutor's office, last Friday's raids by more than 100 police and tax department officials were part of an investigation into the possibility of accounts being held under false names in order to avoid tax payments.

Since its near collapse in 1981, Slavenburg's has been 78 per cent owned by Credit Lyonnais of France, which less than 24 hours after the raids named Mr Jacques Naville as the Dutch bank's new director.

The bank has been under scrutiny for a year following a series of incidents involving senior members of its staff and the authorities in their crackdown on a "black money circuit" said to exist in the country.

Last November, an accountant and two other staff from one of Slavenburg's large branches in Amsterdam were arrested and charged with falsifying financial statements.

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World Weather

Area	Temp	Wind	Area	Temp	Wind
Amsterdam	12	SE 10	London	10	SE 10
Paris	10	SE 10	Brussels	10	SE 10
Frankfurt	10	SE 10	Geneva	10	SE 10
Basel	10	SE 10	Zurich	10	SE 10
Berlin	10	SE 10	Munich	10	SE 10
Stuttgart	10	SE 10	Vienna	10	SE 10
Prague	10	SE 10	Warsaw	10	SE 10
Stockholm	10	SE 10	Helsinki	10	SE 10
Tallinn	10	SE 10	Riga	10	SE 10
Reykjavik	10	SE 10	Copenhagen	10	SE 10
Oslo	10	SE 10	Stockholm	10	SE 10
London	10	SE 10	Paris	10	SE 10
Brussels	10	SE 10	Frankfurt	10	SE 10
Geneva	10	SE 10	Zurich	10	SE 10
Munich	10	SE 10	Vienna	10	SE 10
Prague	10	SE 10	Warsaw	10	SE 10
Stockholm	10	SE 10	Helsinki	10	SE 10
Tallinn	10	SE 10	Riga	10	SE 10
Reykjavik	10	SE 10	Copenhagen	10	SE 10
Oslo	10	SE 10	Stockholm	10	SE 10

Dow suit decision

Continued from Page 1

ditionally rely on the country's banking secrecy, will have to identify themselves to obtain satisfaction in similar cases.

The default suit has attracted considerable attention in the Euro-markets because it exposes the vulnerability of debtor nations to be declared in default by a single holder of bonds launched in the largely anonymous Euromarket. If the appeal succeeds, some bankers fear that it could trigger cross default clauses on all of Costa Rica's \$3bn debt.

Such a danger is, however, overstated in the minds of bankers who

follow Costa Rica closely. Most lenders have already had ample opportunity to have the country declared in default and have chosen not to do so.

Meanwhile, it is hoped that Costa Rica can complete its negotiations to reschedule some \$630m in commercial bank debt before the appeal gets under way.

The country has already negotiated a rescheduling of some \$180m in debt owed to Western governments. Once its immediate debt problems are sorted out it is expected to be able to resume paying interest on its outstanding bond issues.

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SECTION II - INTERNATIONAL COMPANIES

FINANCIAL TIMES

Tuesday February 22 1983

3-40 TONNE VANS & TRUCKS
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Swiss Volksbank intends to raise dividend to 9%

BY JOHN WICKS IN BERNE

SWISS VOLKSBANK of Berne intends to raise its dividend to 9 per cent for the past year. This increase, which is to be proposed at the bank's general meeting on March 25, follows a halving of the dividend to 7 per cent for 1981.

Net profits rose by 41.4 per cent in 1982 to Sfr 50.9m (\$25.5m) after falling by 47.7 per cent in the previous year to only Sfr 35m, their lowest level for more than a decade.

The 1981 decline was due largely to a narrowing of interest margins, a drop in earnings from precious metal dealings and considerable write-offs in the bank's securities portfolio.

In contrast, 1982 saw a 29 per cent rise in net interest income to Sfr 41.6m and a 9.8 per cent profit rise to Sfr 67.2m from previous metals and foreign currency trading. Earnings from the securities sector jumped 117.4 per cent to Sfr 68.2m. Income from capital market issues rose by 23 per cent and from commission on securities trading by 13 per cent.

At a press conference in Berne yesterday, Mr. Walter Ruesch, general manager, forecast "further progress" in 1983 despite the con-

tinuing difficult economic situation and limited demand for credit.

The recovery of Swiss Volksbank's cash flow last year from Sfr 81.9m to Sfr 147.5m has allowed an increase from Sfr 35.2m to Sfr 85.7m in the combined depreciation and provisions sum. Only about Sfr 4.3m of this is needed to write off actual losses, but the remainder will be needed for provisions against increased risks.

According to Mr. Ruesch, these sums are needed in view of increasing difficulties facing domestic corporate clients and the desirability of better sovereign-risk coverage. However, the foreign loan portfolio is seen as "very favourable."

While non-Swiss activities rose last year from 16.9 per cent to 21.2 per cent of total business, the parent bank and its Luxembourg subsidiary, Banque Populaire Suisse SA, apply strict criteria to creditor quality. At present, total commitments in six "problem countries" amount to Sfr 113m.

The overall balance-sheet total rose by 5.2 per cent last year to a record Sfr 19.74bn. Clients' deposits increased by 9.3 per cent to Sfr 16.15bn, with a welcome shift from short to medium and long-term de-

posits. Loans and advances to clients fell by 1 per cent.

In inter-bank operations, the due-to-banks sum jumped by nearly two thirds to Sfr 2.48bn, while the due-to-banks total dropped 15 per cent to Sfr 1.94bn. This development meant that loans to clients were no longer dependent on inter-bank refinancing.

● Banca della Svizzera Italiana, of Lugano, recommends payment of a 1.5 per cent bonus for 1982 on top of an unchanged dividend of 12 per cent. This follows payment of a 1.2 per cent bonus for the previous year.

The bank, the biggest in Italian-speaking Switzerland, booked an increase of 19.4 per cent in its cash flow last year to Sfr 58.5m (\$29.4m). Although depreciation and provisions were raised from Sfr 20.3m to Sfr 25.8m "in view of the rather delicate international financial situation," net profits went up by 4.8 per cent to a record Sfr 30m.

Banca della Svizzera Italiana, 35 per cent of whose share capital was recently acquired by the New York-based Irving Trust Company, showed a record balance-sheet total last year of Sfr 5.05bn (\$2.54bn).

Sweden's Eurocredit increased to \$1.5bn

By Peter Montagnon, Eurocredit Correspondent

THE JUMBO Eurocredit being arranged for Sweden was increased yesterday to \$1.5bn from \$1bn because of heavy demand from lead managers.

The increase means the kingdom of Sweden has completed 92 per cent of its foreign borrowing requirement for 1983, Mr. Peter Engstrom, a top official of the country's National Debt Office, said in London yesterday. Last week he said the requirement amounted to between \$2.7bn and \$3.4bn.

The credit is being led by Chase Manhattan, Morgan Guaranty, Bank of Tokyo and Svenska Handelsbanken. Terms call for a margin of 1/4 per cent over London Euro-dollar rates or 0.2 per cent over U.S. prime with a maturity of eight years.

These are higher margins than Sweden paid last year. The market's response so far suggests that the tougher conditions have paid off handsomely. The credit has attracted a total of 53 lead managers who would have underwritten a total of some \$2.2bn had underwriting allocations not been scaled down to allow for an increase of only \$500m.

More than \$1bn of the new total of \$1.5bn has been committed at a margin over Eurocurrency rates. Sweden was looking for a good response to this segment of the loan

FRENCH BANK LINK-UP WAS 'THE RIGHT SOLUTION'

Nationalisation 'saved' BUE

BY DAVID MARSH IN PARIS

NATIONALISATION has saved Banque de l'Union Européenne, M. François Caries, its president, said yesterday.

Meanwhile M. Christian Giacomotto, the managing director of Crédit Industriel et Commercial, was saying: "Even if we were not nationalised, the link-up between CIC and BUE would still be the right solution."

These two comments by leading figures in last week's French banking shake-up the takeover of the ailing BUE by CIC to produce France's fourth largest commercial bank emphasise that the French government has played only a part in promoting the link.

In its efforts to restructure some of the smaller banking groups nationalised last year, the Paris Finance Ministry for months has been seeking a rapprochement between the Crédit Industriel et Commercial group and one of the "problem" banks on the state list of shareholdings.

CIC opted for BUE, the investment bank formerly owned by the Empain-Schneider group, without much hesitation.

As M. Georges Dumas, the CIC president, pointed out yesterday, his bank has a strong deposit base in both Paris and the regions but lacks international character or a solid presence on the financial markets. "BUE will bring us this experience," he said.

On the other hand, BUE, which

has suffered in the past two years from its reliance on funds borrowed at high interest rates on the Paris money markets, has plenty of international exposure - perhaps too much - but lacks cheap customer deposits.

It borrows about two thirds of its resources from the money market - lately at interest rates well above base lending rates.

The idea, according to both M. Dumas and M. Caries, is that the link between the two banks will plug structural defects in both institutions - particularly to put at BUE's disposal the cheaper funds accruing from CIC's customer deposits.

Advancing the idea of the harmonious interlocking traditionally sought after by takeover specialists, M. Dumas said: "We will be able to do more together than we could do separately."

For BUE, which made losses of between FF 100m (\$14.7m) and FF 200m last year after heavy provisions on foreign loans, the tie-up with CIC is a rescue act which has saved its identity.

M. Caries said BUE, which will need a big capital injection from its new shareholder, will be able to conserve a measure of economy.

M. Caries, an experienced civil servant and private-sector banker brought in to head BUE last year, stressed that the bank's difficulties predated nationalisation and explained the Empain-Schneider group wanted to sell the bank in any event.

A merger with either Crédit Lyonnais or the Paribas group - both possibilities under consideration - would have ended eventually with the total absorption of BUE and the loss of its individuality, he said.

The solution of a link with CIC is part of a wider restructuring, announced last week, under which CIC's network of regional associate banks will like BUE become subsidiaries of a banking holding company.

Ownership of the CIC holding company, whose name has not been decided yet, will be split between the state, taking a direct majority share, and the Compagnie Financière de Suez group, whose previous majority stake in CIC will be cut.

The Finance Ministry admits that its decision to dilute the links between CIC and Suez has displeased M. Georges Flescoff, the Suez president.

But the move is justified officials say by the lack of convergence in the aims and directions of the CIC group and the Banque Indosuez, the merchant banking arm of the Suez group.

M. Flescoff is expected to receive compensation soon in the form of an attractive industrial participation being added to his group's portfolio of corporate shareholdings, many of which are losing money.

Financial details of the CIC-BUE link have not yet been worked out and will depend crucially on the ex-

act losses BUE made last year.

M. Caries said 1982 operating results improved compared with 1981 - when the net loss was FF 98m - but the overall result would be worse, above all because of provisions on sovereign risks like Poland and Romania and on commercial business with companies like Chrysler and Bauknecht, as well as in Central America.

Its new shareholders will be called upon to subscribe to a capital increase to lift capital and reserves from the present level of around FF 800m, but the amount has not yet been decided.

The process of aligning the two banks - which will produce a group with consolidated deposits of about FF 140bn and with capital funds of FF 2.5bn to FF 3bn - will take place gradually during the rest of the year.

BUE has representative offices in 23 foreign countries and branches or subsidiaries in Switzerland, Italy, Luxembourg, West Germany, New York and Hong Kong.

About 50 per cent of its business is carried out abroad, where M. Caries said yesterday, both margins and risks are higher than in France.

Foreign branches of the expanded CIC group are to be run under a common organisation, which will involve restructuring above all in the two financial centres where both CIC and BUE have operations, Luxembourg and New York.

Esselte boosts nine-month result by 20%

By David Brown in Stockholm

ESSELTE, the Swedish office supplies, graphics and packaging group, has announced a 20 per cent increase in earnings from SKr 164m to SKr 198m (\$20m) in the nine months to December.

Group sales during the period beginning April 1982 were up 24 per cent to SKr 50m. Company officials said about 9 per cent of those sales were generated at the group's Letaset subsidiary in the U.K., a graphic arts supplier which was acquired late in 1981.

The impact of last October's Swedish krona devaluation on foreign currency loans was reflected in the growth of net interest costs from SKr 107m to SKr 180m in the latest April to December period.

An extraordinary item of SKr 50m was added to earnings to reflect the higher value of foreign assets after devaluation, and a net profit of SKr 230m was posted, up from SKr 178m for the previous nine-month period.

The majority of Esselte companies were said to have done well, despite a poor business climate in Canada, Australia and Latin America.

Bank of America holds on at top of U.S. league

BY PAUL TAYLOR IN NEW YORK

BANK of America, the San Francisco-based bank, remains the largest commercial bank in the U.S. in terms of deposits and assets, according to a survey published by the American Banker, an independent daily newspaper, published today.

The survey confirms Bank of America as the largest bank in the U.S. even though its parent holding company, BankAmerica Corp., with assets of \$122.5bn, has slipped from first position to second after Citicorp, the Citibank holding company which has \$130bn in assets.

Citicorp's growth reflects, among other factors, the acquisition last year of Fidelity Savings and Loan Association, a California S and L with assets of \$2.9bn.

Bank of America, with \$95bn in deposits and \$119bn in assets, is followed by Citibank with \$74.5bn in deposits and \$111bn in assets and three other major New York banks, Chase Manhattan, Manufacturers Hanover Trust and Morgan Guaranty.

Chase had \$59.3bn in deposits and \$78.1bn in assets, Manufacturers Hanover, \$43.6bn in deposits and \$50bn in assets and Morgan Guaranty \$39.6bn, in deposits and \$57.9bn in assets.

The survey, based on the year-end deposits and assets, finds no change in the rankings of the nation's 10 largest banks in terms of deposits but Chemical Bank, with deposits of \$29.7bn and assets of \$47.1bn, moved up one place in terms of assets, switching ranks with Continental Illinois, National Bank and Trust.

Continental, which ranked sixth last year with assets of \$45.1bn, had an 8.5 per cent drop in assets to \$41.3bn at the end of 1982. The reduction reflects the bank's considerable loan losses, particularly those related to the failure of Oklahoma City's Penn Square Bank from which the Chicago bank bought a \$1bn package of energy loans.

Among the 25 largest U.S. banks four have increased their rankings from a year earlier. The biggest jump was First City National Bank, Houston, which moved up three places to 20th with a 17 per cent increase in deposits and a 1.7 per cent increase in assets to \$7.9bn and \$9.5bn respectively.

Banks that moved up one position included Crocker National Bank, the San Francisco Bank owned by Midland of the UK, which passed Wells Fargo Bank.

Operations of Hamburg bank halted

By Leslie Collett in Berlin

THE WEST German Credit Supervisory Office has declared a moratorium on the transactions of Hermsbank, a small private bank in Hamburg, pending the completion of an investigation. The office said an investigation of the bank's accounts showed unsecured loans which were so high that it would now have to be determined whether the bank should be closed.

Hermsbank had a balance-sheet total of DM 115m (\$48.11m) and deposits of DM 100m which are insured. The bank's equity capital was about DM 6m.

In its regular examination of accounts, the Federation of German Banks came upon the irregularity and alerted the Federal Supervisory Office in Berlin.

This is the third small West German bank to have its operations suspended by the office since last September. The other two banks, in West Berlin and Mannheim, were subsequently closed.

Some optimism at AEG

BY JOHN DAVIES IN FRANKFURT

AEG-TELEFUNKEN, the ailing West German electrical concern, is preparing for a meeting with its banking consortium on Friday with some optimism in view of its performance in recent months.

The real test of its survival, however, is expected to come on March 9, at a meeting of all its creditors.

The group will give its 25-member banking consortium a report on its latest marketing and liquidity position.

AEG-Telefunken is understood to have maintained its ground in sales of household goods and electronic equipment, despite reports of its troubles.

Although the market for these goods is weak, as recession and unemployment set in, the company is reported to have avoided any disproportionate setback.

It has appealed openly to dealers and consumers for loyalty, with devices such as stickers proclaiming: "I stand by AEG."

KemaNobel lifts profits

BY DAVID BROWN IN STOCKHOLM

KEMANOBEI, the Swedish chemicals group, increased 1982 earnings fourfold from SKr 51m to SKr 209m (\$28m). Sales of SKr 4bn were up 20 per cent over 1981. The company noted an improvement in all business areas.

The preliminary result brings KemaNobel close to the SKr 213m achieved in 1979. Earnings in 1980 were SKr 164m.

The board has recommended an issue of one bonus share for every four old shares, and a dividend of

SKr 8.25 for each old share, compared with SKr 5 in 1981.

Unrealised losses of SKr 36m on foreign currency loans resulting from the Swedish currency devaluation last October were included.

Extraordinary income of SKr 18m for the sale of property brought the net profit figure to SKr 227m, up from SKr 132m in 1981.

Return on total capital employed was 10 per cent. Profit per share was put at SKr 14. Liquid assets were down 3 per cent to SKr 347m.

William Chislett reports on a dilemma over foreign exchange

Mexico's motor output dives

AFTER THREE years in top gear, Mexico's motor industry has been plunged into its severest crisis.

The country's acute shortage of foreign exchange, brought about by the burden of servicing the mountainous external debt of \$83bn and the severe recession at home, have caused output of cars and trucks to plummet so dramatically that a major shake-up is expected in the industry this year.

The profitable subsidiaries of Chrysler, Ford, General Motors, Nissan, Renault and Volkswagen, the country's producers, are now facing a bleak period of losses.

Production of cars declined by 15.5 per cent in 1982 to 306,579 units and that of trucks and buses by 28.7 per cent to 172,556 units. The prospects for this year are for another large fall which could bring output to the level of 1978 when a total of 384,127 vehicles was produced.

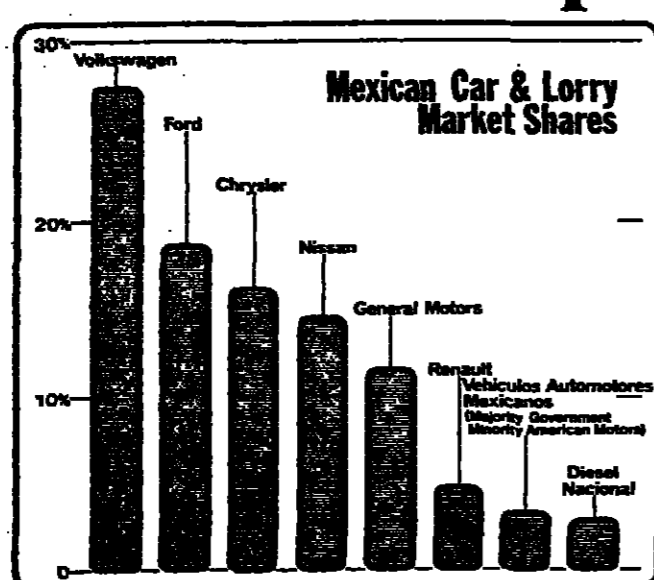
Diesel Nacional (Dina), the state-owned assembler of buses and trucks, which for years has been a heavy loss-maker, is under the threat of a total closure by the Government unless its trade unions agree to the dismissal of 2,500 workers as part of a rationalisation programme and also moderate their wage demands.

Dina, which uses Perkins and Cummins engines, has been strike-bound since February 7. Its losses last year have been put at 20bn pesos (\$125m).

It is estimated that 80,000 of the 200,000 workers in the motor industry have lost their jobs in the last eight months.

But companies are not cutting their expansion plans, because they are so far advanced that to cancel them would mean major losses. Companies also believe that the Mexican market still holds great potential if the country can pull itself out of this crisis.

Nissan Mexico recently inaugurated its expanded production facility at its plant in the State of Mexico to



Under a complex formula, introduced in 1977 to reduce the motor industry's heavy drain on the balance of payments, manufacturers have to match every dollar of imports with a dollar of exports. The industry accounted for \$2.1bn of the total \$3.7bn trade deficit in 1981.

Companies, therefore, are placing their emphasis on exporting more and trying to obtain more components locally.

Meanwhile, the doubling of petrol prices since December and the 82 per cent devaluation of the peso in the last 12 months, which has pushed up costs enormously, is forcing companies to change production trends and produce more economical models.

The move into smaller cars can be judged from the performance of Volkswagen, the leading producer, and Nissan, which last year increased their market share of cars and trucks by 4.5 per cent and 2.8 per cent respectively to 27.5 per cent and 14.6 per cent, according to AMIA, the industry's trade organisation.

Producers of large cars, such as Chrysler and Ford, reduced their market share by 4 per cent and 1 per cent respectively to 16.3 per cent and 18.7 per cent. Volkswagen sold only 2,689 cars less in 1982 than in 1981, and Chrysler's sales plummeted by 38,997.

There is, however, one dark cloud on the horizon which could hinder efforts to boost exports and thus the industry's ability to survive the present crisis.

The approval of a domestic content legislation Bill by the U.S. House of Representatives last December, which set requirement levels on the U.S. content in finished cars, was a warning signal that Mexico may run up against an increasingly protectionist lobby in Washington.

Were such a bill to be approved, it would be a major blow for Mexico's motor industry.



TransCanada PipeLines Limited

Report for the Year Ended December 31, 1982

Consolidated Income

(thousands of Canadian dollars)

	Twelve months ended December 31, 1982	1981
Operating revenues	\$ 3,466,915	\$ 3,404,897
Operating expenses	2,425,425	2,502,670
Cost of gas sold	551,994	485,171
Transmission, operating and general	2,977,419	2,987,841
Income from investments		
Pipelines	52,909	28,445
Oil and gas	30,123	20,781
	83,032	49,226
Other income		
Allowance for funds used during construction	45,232	15,025
Other (net)	15,988	4,925
	61,220	19,950
Financial charges (net)	368,310	229,571
Income taxes — current and deferred	66,520	102,489
Net income	198,918	154,072
Provision for dividends on preferred shares	37,790	28,499
Net income applicable to common shares	\$ 161,128	\$ 125,573
Net income per common share	\$ 3.62	\$ 2.85
Average number of common shares outstanding	44,537,632	44,059,414
Volumes delivered for sale and transportation — millions of cubic metres	32,497	33,448

Consolidated financial position

(thousands of Canadian dollars)

	Dec. 31, 1982	Dec. 31, 1981
Current assets	\$ 816,028	\$ 566,915
Payments on future gas supply	42,510	1,013,291
Investments — pipelines/oil and gas	1,135,493	1,031,968
Plant property and equipment (net) and other	2,722,878	1,974,126
Total	\$4,716,909	\$4,586,300
Current liabilities	\$1,004,002	\$ 716,815
Long-term debt	2,152,875	2,458,772
Deferred income taxes	297,287	246,569
Shareholders' equity	1,262,745	1,164,144
Total	\$4,716,909	\$4,586,300

Note: Change in Accounting Policy - Effective August 1, 1982, the company adopted the taxes payable method of recording income taxes applicable to its current Canadian utility operations for ratemaking and accounting purposes as prescribed by the National Energy Board. As this change has been prescribed by the NEB, it has not been applied retroactively.

For further information write: The Vice President and Treasurer, P.O. Box 54, Commerce Court West, Toronto, Ontario M5L 1C2 Telephone: (416) 869-2111

This announcement appears as a matter of record only



THE KINGDOM OF DENMARK

¥10,000,000,000
Medium Term Loan

Lead Managed and Provided by

The Bank of Tokyo, Ltd.
The Fuji Bank, Limited
The Sanwa Bank, Limited

The Dai-ichi Kangyo Bank, Limited
The Mitsubishi Bank, Limited
The Sumitomo Bank, Limited

In Conjunction with

Copenhagen Handelsbank A/S

Den Danske Bank af 1871 Aktieselskab
Privatbanken A/S

Managed and Provided by

The Hokuriku Bank, Limited
Bank of America NT & SA
The Bank of Nova Scotia
The Chuo Trust & Banking Company, Limited

The Tokio Marine and Fire Insurance Company, Limited
The Bank of Fukuoka, Ltd.
The Chiba Bank, Limited
Lloyds Bank International Limited
The Shizuoka Bank, Ltd.

Provided by

The Ashikaga Bank, Ltd.
The Nichido Fire & Marine
Insurance Company, Limited

The Jyoy Bank, Ltd.
The Nippon Fire & Marine
Insurance Company, Limited

The Yasuda Mutual Life Insurance Company

Agent

The Dai-ichi Kangyo Bank, Limited

February 1983

This announcement appears as a matter of record only.



OCCIDENTAL PETROLEUM CORPORATION

\$850,000,000

CREDIT AGREEMENT

Arranged by:

Manufacturers Hanover Trust Company

Funds provided by:

Manufacturers Hanover Trust Company

Bankers Trust Company

The Bank of Nova Scotia Group Canadian Imperial Bank of Commerce
The Toronto-Dominion Bank

National Westminster Bank Group

Mellon Bank N.A.

Arab Banking Corporation (ABC) First National Bank of Minneapolis

Gulf International Bank BSC

The Bank of New York The Governor and Company of The Bank of Scotland
Banque Paribas Credit Commercial de France, New York Branch
Dresdner Bank AG The First National Bank of Chicago

The National Bank of Australasia Limited

Nederlandsche Middenstandsbank N.V., New York Branch

Standard Chartered Bank plc Texas Commerce Bank National Association

UBAF Arab American Bank Union Bank Westdeutsche Landesbank Girozentrale

Crocker National Bank North Carolina National Bank

Bank of America National Trust and Savings Association Bank of Ireland
First Interstate Bank of California First National Exchange Bank

Istituto Bancario San Paolo di Torino Mercantile National Bank at Dallas

The Royal Bank of Scotland plc Scandinavian Bank Limited

United Bank of Denver National Association

Agent



MANUFACTURERS HANOVER TRUST COMPANY

November, 1982

INTL. COMPANIES & FINANCE

Bank Bumiputra loans to HK companies defended

BY WONG SULONG IN KUALA LUMPUR

TENGGU RAZALEIGH, Malaysia's Finance Minister, has come out to defend the role of Bank Bumiputra, and indirectly himself, over the massive loans made to Hong Kong property companies, including the deeply troubled Carrian Group.

The Minister said there was "nothing amiss" regarding the loans extended by Bumiputra Malaysia Finance (BMF), the Hong Kong subsidiary of the bank, and added that the present situation was the result of the sharp downturn in property values in the colony.

The loan issues had become politicised in Malaysia, said Tengku Razaleigh adding that Bank Bumiputra was answerable to the Prime Minister for its operations.

The BMF's loans are becoming an increasingly embarrassing subject for the Malay political leadership. Bank Bumiputra was set up by the Government with the specific task of helping the Bumiputras (indigenous Malays) to compete with Malaysia's economically

powerful Chinese community, and the revelations that massive loans had been extended to Hong Kong Chinese for property speculation, not to mention the prospect of BMF suffering massive losses as a result, is galling.

It is known that BMF had extended loans worth U.S.\$75m to Mr Kevin Hsu, and a further U.S.\$40m to Eda, another troubled property group. BMF's loans to Carrian are believed to be substantial, and have been variously estimated at between U.S.\$150m and U.S.\$400m.

So far neither Bank Bumiputra or Bank Negara, the Malaysian Central Bank, has commented on the status of the loans, answering numerous Press inquiries with the standard reply that it would be unethical to discuss the confidential business of clients.

It is believed that a month and a half ago, the Hong Kong Commissioner of Banking informed the Malaysian authorities that the BMF had made a provision for bad debts of HK\$70m (U.S.\$10.6m) for

this year, which would be well covered by the estimated profit of HK\$150m made by BMF last year. However, the situation could have changed greatly since then.

Strong rumours are circulating among Kuala Lumpur's financial community that a special team which visited Hong Kong recently has submitted a secret report to Dr Mahathir, the Malaysian Prime Minister, highly critical of BMF.

If the loans issue emerges as a political controversy, Tengku Razaleigh's image could suffer irreparable damage, at a time when he is slowly rebuilding his base, after his defeat in the fight for the number two position in the ruling party in June 1981.

As the undisputed force behind the banking industry between 1976 and mid-1981, he is closely identified with Bank Bumiputra, which he once headed, and of which his close associate, Tan Sri Kamarul Ariffin was executive chairman when the loans in Hong Kong were made.

Recession hits Malaysian majors

BY WONG SULONG IN KUALA LUMPUR

THE ECONOMIC recession has caused a contraction in earnings at Malaysian Banking, Malaysia's second largest bank, and at United Asbestos Cement (UAC), the country's leading supplier of cement pipes and building materials.

For the six months ended December, net profit for Malaysian Banking was 35.7m ringgit (US\$15.8m), an 8.7 per cent increase, while net earnings at UAC for the half year fell by nearly 60 per cent to 3.16m ringgit.

Between 1976-81, both Malaysian Banking and UAC were leaders in their respective sectors, recording growth rates of between 25 and 40 per cent a year. However, for the year to June 1982, Malaysian Banking had net profits of 74.2m ringgit, a 20 per cent rise, while UAC had net profits of 15.3m ringgit, only a 3 per cent increase.

UAC said its poor first-half performance was due to the government reducing spending on public works, coupled with intense competition in the supply of building materials. It said no great change was expected in trading conditions for the second half, but some improvement would result from "stringent cost control" measures now being applied.

Malayan Banking said second-half results should be similar to that of the first half.

The bank is paying an interim dividend of 8 cents on its paid-up capital of 190m ringgit, while UAC is giving 12.5 cents on its capital of 54.6m ringgit.

Record results for Komatsu

BY YOKO SHIBATA IN TOKYO

KOMATSU, the world's second largest construction machinery manufacturer, posted gains in both sales and profits in 1982, with sales up 30 per cent and profits up 40 per cent. The company reported record sales and earnings for the fifth consecutive year.

Parent company pre-tax profits rose by 11.2 per cent to reach ¥65bn (\$277m). Net profits were ¥32bn, up by 19.1 per cent, with sales at ¥653bn, up 15 per cent. Profits per share improved to ¥40.83, compared with ¥35.26, and the dividend is unchanged at ¥8 for the full year.

The company's overseas sales did remarkably well, rising by 35.6 per cent to account for 63.8 per cent of total turnover, the first time exports have passed the 60 per cent level, said the

company. Sharply increased sales of bulldozers, wheel loaders, and hydraulic excavators (up by 30 to 60 per cent) across all overseas markets other than the U.S. were the main factors boosting Komatsu's overseas results.

Domestic sales fell 9.2 per cent affected by the curbing of public works investment and the sluggish housing construction industry.

Second-half construction machinery rose by 37 per cent to account for 87 per cent of total turnover while industrial machinery turnover, including machine tools and presses, dropped by 1.5 per cent to account for 6 per cent in spite of a 37 per cent rise in overseas sales.

The overseas sales boost, aided by the yen's depreciation, improved Komatsu's cost to sales ratio by 1.8 per cent to 69.9 per cent. Higher net interest payments were offset by currency gains totalling ¥9.5bn.

The company is not optimistic on earnings for the current year. The yen's upward trend and falling demand from Middle East oil-producing countries, together with falling oil revenues, are seen as weakening the overseas market.

Komatsu is forecasting a small fall in pre-tax profits to ¥64bn for the year. Net profits are projected at ¥31.5bn, down 2.9 per cent, with full-year sales seen as falling almost 2 per cent to ¥640bn.

Growth at Saudi American Bank

BY WILLIAM HALL, BANKING CORRESPONDENT

SAUDI AMERICAN Bank, which took over Citibank's Saudi Arabian interests two and a half years ago, reports that its earnings by 26 per cent to SR352.6m (\$102.5m) in the year ending December 1982. The bank is increasing its dividend by a third to SR20 per share.

Total assets of the bank, which has 17 branches in Saudi Arabia, grew by 44 per cent to SR10.9bn and shareholders' funds rose by 48 per cent to SR84.3m. Loans and advances

were 28 per cent up at SR5.2bn. The bank, which must rank among the most profitable in the world, reports that its return on assets fell marginally from 3.7 per cent to 3.2 per cent and the return on shareholders' equity fell from 46 per cent to 40 per cent. The bank says this resulted from declining margins and the bank's larger capital base.

The number of personal and small business accounts grew by 85 per cent to 43,000 in 1982 and the bank has been financing many of the new enterprises started up under the country's Third Development Plan.

Saudi American was formed in July 1980 after Citibank, which has a management contract, agreed to relinquish majority control of its Saudi Arabian operation. Citibank maintains a minority stake in the bank which ranks fourth in size among Saudi Arabia's commercial banks.

national oil price and changes in the rand/dollar exchange rate. Saudi's profitability is highly sensitive to oil price movements and, as oil prices are declining at present, has opted for a conservative first interim dividend of only R20m from Sasol Two.

Sasol itself has a 50 per cent interest in both Sasol Two and Sasol Three. The interim dividend has been increased to 13 cents from 11 cents while first-half earnings rose to 30.3 cents a share from 26.8 cents a share. The year ended June 26, 1982, saw earnings of 53.2 cents a share and a total dividend of 24 cents.

Aberdare Cables down

ABERDARE CABLES, the South African power and telecommunication cables group which is, indirectly, a subsidiary of Philips Gloeilampenfabrieken, lifted turnover for 1982 from R97.7m to R105.5m (\$30.6m) but profit before tax dropped from R21.2m to R20.1m.

An unchanged dividend of 82.5 cents has been declared though earnings dropped to 151 cents a share from 168 cents.

Sasol well ahead midway but cautious on outlook

BY OUR JOHANNESBURG CORRESPONDENT

SASOL, the South African oil-from-coal producer, is taking a cautious view on developments in the oil market in spite of its sound profit advance in the six months ended December 26, 1982. First-half pre-tax profit was R195.9m (\$178m) against R178m in the corresponding period of 1981.

The company attributes the interim profit advance to the reliability of operations at the Sasol One plant, sustained production progress at Sasol Two and earlier than expected stable production at Sasol Three.

Management's caution arises from fluctuations in the inter-

Trust Bank results

Net profit of Trust Bank of South Africa for the six months ended December 31, 1982 was R17.2m, net R7.2m as shown in our report on February 18.

Sharp advance in sales at Kone

BY LANCE KEYWORTH IN HELSINKI

KONE, the Finnish manufacturer of lifts, materials handling equipment, marine technology, and instrumentation, raised its consolidated net sales by 42 per cent to FM 3.18bn (\$585m) in 1982 and post-tax earnings by 64 per cent to FM 120.4m.

Net sales of the parent company, Kone Oy, rose by 25 per cent to FM 1.82bn, yielding net earnings of FM 37.5m. Profit per share (nominal value FM 50) was FM 19.9, against FM 17.4 in 1981, including the 1.8m new shares issued during the year. The company has proposed a dividend of FM 4

per "A" series share and FM 3 per "B" series share. Kone shares have been listed on the Stockholm Stock Exchange since September 1982.

Approximately half the increase in group invoicing was due to the two subsidiaries acquired by Kone Corporation in 1982, Armor Elevator Company, the U.S. lift company, and Kone Cargo International, which is based in Sweden and operates in the field of marine technology.

Kone also acquired during the year a 50 per cent interest in Linden-Alimak, a Swedish company which makes

materials handling equipment for the construction and mining industries. In addition, it bought half the capital of Kone Fels Cranes, a Singapore company which plans to sell and erect cranes in South-East Asia.

Orders in hand increased by 25 per cent during 1982 and were satisfactory in most divisions. This, plus product development and the expansion of market areas outside Europe were major contributors to profits. Some 23 per cent of net sales went to non-European countries, against 12 per cent in 1981.

Harvester Australia group loss for 1982

By Michael Thompson-Noel in Sydney

THE INTERNATIONAL Harvester Australia group yesterday revealed total losses of A\$195.4m (US\$138.2m) for the year to last October including extraordinary losses of A\$101.5m.

The company, which is a subsidiary of International Harvester of the U.S., has been badly hit by drought and recession. It went into receivership late last year, owing a little under A\$400m to a group of more than 30 bankers, as well as its parent company, associated subsidiaries, trade creditors, and suppliers.

Despite the losses, chances for the group's survival improved yesterday when the full Victorian Supreme Court paved the way for creditors' meetings as requested by the group's receivers and managers. A proposed rescue plan is being put together, with a series of creditors' meetings scheduled for early March.

Details of the group's losses showed that in the year the manufacturing arm, International Harvester Australia (IHA), saw a trading loss of A\$28.4m, and a total loss, after extraordinary items, of A\$139.91m.

The finance arm, International Harvester Credit Corporation of Australia (IHCCA), saw a loss of A\$55.5m, after provisions for future losses of A\$47.4m.

Write-offs at IHA included A\$12.7m for the closure of its Geelong plant, A\$30m in investment in the finance company, A\$10.25m for laying off workers, and inventory write-downs of A\$40.2m.

After biting the bullet, the hope is that the group can survive its difficulties if the rescue plan is approved by creditors. Under the plan, creditors of IHA could receive about 52 cents in the dollar, and creditors of IHCCA would perhaps receive full payment.

Bond Holdings net earnings 54% higher

By Our Sydney Correspondent

BOND CORPORATION, Holdings of Feroz, has reported a 54 per cent increase in net profits for the six months to December 1982 from A\$6.55m to A\$10.1m (US\$6.8m).

Consolidated operating profit before tax for the period rose to A\$11.7m, against A\$7.5m previously, though a change in accounting methods means the results are not strictly comparable.

Previously, earnings of subsidiaries were equity-accounted into Bond's own figures, a practice that has dropped since the latest half-year as Swan Brewery is now a wholly-owned subsidiary.

Tax for the latest December-half was A\$5.46m, against A\$2.89m previously, but there was also a tax credit of A\$5.46m in the latest six months.

Interest charges were sharply higher, at A\$14.7m, compared with A\$11m previously, while depreciation charges were A\$5.87m, against A\$5.58m.

Extraordinary items amounted to A\$5.43m, and turnover was slightly up at A\$162m.

Mr Bond, the corporation chairman said that while there was no denying that the economic climate had been inhibiting, the Bond Group had used the time to get ready for an expansion phase.

Lew named buyer of Myer shares

By Our Sydney Correspondent

The mystery buyer of a A\$28m (US\$21.1m) package of shares in Myer Emporium, the Melbourne-based retailer, was confirmed yesterday as Mr Solomon Lew, a Melbourne businessman who is the managing director of the Vopak Sole group of companies.

Mr Lew now holds just under 10 per cent of Myer, and said last night that the shares had been acquired as a "long-term investment." He said he fully supported the Myer board's current rationalisation programme, and hoped his move would help end the take-over talk that had plagued the Australian retail sector in recent times.

Last week, Myer, which had a turnover of A\$1.7bn in the year to July 1982, sold its department store interests in New South Wales to Grace Brothers, another prominent Australian retailer, and announced that it was withdrawing as a potential tenant of the proposed Parkway Parade shopping complex in Singapore.

هذا من الاصل

What pension fund sponsors like most about Morgan for international diversification



Some of the Morgan officers responsible for international investment management share news and trend data at a meeting in London. Shown, from left, are Rudolph Leuthold, Walter Zinsser, and Bernard Ratnav, London, Nancy Kyle, New York, Mark Tapley and Chilton Thomson, London.

Major investors in the U.K., Europe, Africa, Asia, Australia, and South America—in addition to North America—increasingly turn to The Morgan Bank for active international portfolio management.

Our London Office manages nearly £900 million in internationally diversified equity and bond portfolios for a wide variety of clients, including pension funds, foundations, insurance companies, and government organisations. We earned this leadership position by developing a multinational team of professionals and by achieving an outstanding record of performance.

Headquarters in London

Our international investment team is headquartered in London, and includes professionals in Tokyo, Hong Kong, Paris, and New York.

At Morgan, international diversification is

actively managed and based on careful, on-the-spot research. This kind of management broadens the range of investment options. It can smooth the cyclical bumps that are likely to jar a one-economy portfolio. It can turn inflation differentials and currency fluctuations into investment opportunities rather than hazards.

Morgan's special resources

Active fund management requires special resources. Besides its own multinational research, Morgan's international investment team has access to country-by-country studies by the bank's international economists, and the currency judgements of our foreign exchange specialists in the world's money centres.

The flow of information and analyses from these experts is coordinated systematically, enabling

our managers to build portfolios that balance risk and return in accord with each client's specific objectives.

Investment follow-through is as important to us as creating a portfolio. Whatever the market, our skilled traders know how to execute purchases and sales effectively. Our worldwide custody network combines maximum protection of securities with the flexibility demanded by our policy of actively managing assets in each local market.

Call on Morgan

Morgan can help you benefit from actively managed international diversification. For specific information, write or call Anthony G. Bird, Vice President, Morgan Guaranty Trust Company, 30 Throgmorton Street, London EC2N 2DT; telephone (01) 600-2300.

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The Morgan Bank

UK COMPANY NEWS

Sales and dividend double at Aidcom

AIDCOM International is doubling its dividend payment for the year to October 31 1982 to 0.8p net per share. At least 0.5p has been forecast.

Turnover of the group - market research, micro-technology and design, and formerly known as Allied International Designers - rose from £2.04m to £4.86m, while profit before tax and exceptional debits climbed from £140,000 to £364,000.

Mr James Pilditch, chairman, reports that the market research subsidiaries doubled their trading profits while DVV Microelectronics, which started trading its Husky portable computer, produced a "significant" contribution to profits.

The figures include only a seven-month contribution from M.A.S. Survey Research, while research and development costs incurred by DVV, previously shown as a £38,000 exceptional item, were written off against trading profit.

After exceptional changes of £78,000 (£11,000), including £87,000 relocation expenses relating to the move to freehold premises, tax £100,000 (£43,000) and minorities this time of £9,000, the net profit attributable is £178,000 (£88,000), for earnings of 1.81p (1.09p) per share. Cost of the dividend is £82,000 (£29,000).

Mr Pilditch says the current year promises further growth. The company will benefit from rent savings arising from its move to the new freehold premises. Profits were affected by this in 1982 but a revaluation of the property has disclosed a gross surplus of £120,000 which goes to capital reserve.

Since the year-end two subsidiaries have been set up - KMS Publications and Business Decisions of New York - and a 51 per cent interest acquired in employee incentive scheme specialists Cockman Copeman & Partners.

Talks on sale of truckmaker

INTERNATIONAL Harvester's UK truck building subsidiary, Seddon Atkinson, is still engaged in negotiation with other truckmakers for a possible purchase of the company. Talks with Seddon Atkinson, based at Oldham in North-West England, have involved General Motors and Enasa - the Spanish state-owned company which sells under the Pegaso badge. Enasa said at the weekend that its talks so far were purely preliminary.

The struggling U.S. group decided last year to divest itself of all its truckmaking operations outside the U.S. That included a 35 per cent share in Enasa, a share which was bought by IH to spearhead expansion in Europe but which has been subsequently sold back.

International Harvester GB announced last week that £7m of new capital was being injected into it by its U.S. parent.

Marchwiel moves ahead to £13.75m

INCREASED PRODUCTIVITY in its UK activities and a good performance overseas enabled building, civil engineering and public works contractor, Marchwiel, to raise pre-tax profits from £10.38m to £13.75m for the year ended October 31 1982, on turnover of £53.24m, compared with £27.56m.

The group enlarged by the acquisition of Finlas in excellent shape, the directors say, and they view the future with confidence.

At the interim stage, when reporting a pre-tax surplus of £4.32m (£3.48m including £1.1m profit on sale of investment) the directors said that unless unexpected trading conditions arose, they looked forward with confidence to the outcome for the full year.

In view of the increased year-end profits and substantial cash resources, the final dividend is being raised from 4.2p to 4.8p net for a higher total payment of 7.5p (6.8p) per 25p share. Earnings per share were 38.5p (28.4p) before tax and 22.4p (20.5p) after.

The tax charge, which more than doubled from £2.53m to £5.42m, was affected by reduced stock appreciation relief of £1.1m (£1.25m), overseas profits attracting a rate of tax below 52 per cent and currency losses for which relief is not available.

After minority profits of

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total for year
Aidcom	0.6	Apr. 29	0.3	0.6	0.3
Charles Baynes	0.6	—	0.5	0.85	0.75
English & Scott Inv.	1.25	Apr. 5	1.05	2	1.8
Impala Platinum	25	Apr. 15	25	25	25
Marchwiel	4.8	Mar. 31	4.2	7.5	6.6
Scottish Eastern Inv.	1.85	—	1.85	3.35	3.35
Temple Bar Inv. Tst.	2.7	Mar. 31	2.7	4.2	3.95

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM Stock.

§ South African cents.

£517,000 (£378,000) and extraordinary credits of £795,000 (£750,000 debits) the attributable surplus was £8.61m, against £5.53m. The dividends absorb £2.89m (£2.59m).

Net assets per share rose from 188p to 204p at the end of the year.

At October 31 1982 shareholders' funds stood at £72m compared with £67.4m last year. Again liquid resources, short-term investments and government securities increased and at the year end stood at more than £68m.

Since the year end the group has paid more than £8m as the cash element in the purchase of Finlas and redeemed £4m of that company's indebtedness. Despite these payments the

group's total liquid resources at the present time are approximately £30m.

The directors report that the group's overall decline in turnover has been halted and they hope to see some upturn in 1983.

However, the group's UK contracting order book is patchy. In particular the north west region of the country, where Marchwiel has traditionally won many large orders, seems to be lacking in construction activity, they state.

However, some overall growth is expected nationally during the year and the group hopes to win its fair share of the so far the group's policy of not intentionally taking on other than reasonably profitable work, merely to maintain turnover, has stood it

in good stead, the directors point out.

Marchwiel's overseas companies should benefit from increased activity in Nigeria and Botswana and although immediate overseas prospects elsewhere are not so hopeful, the directors expect to see a continued build up in the order book and a consequent return to reasonable profitability.

Referring to Finlas - the group's first major acquisition - the directors say it represents their belief that expansion when the recession ends will be more marked in areas away from civil engineering, where Marchwiel has traditionally specialised.

Property development activities continue to make progress in the UK and, in partnership with Emerson Development (Holdings), the group has two office developments which will shortly be completed. Considerable interest has already been shown in both these developments.

Private housebuilding is expected to benefit from the lower mortgage rates and the directors hope that the group's housebuilding subsidiary will soon enable it to become active over most of the country.

Most of the group's other UK subsidiaries had an excellent year and although a few of them are not totally confident about their immediate prospects, further overall progress is expected during the coming year.

See Lex

Reed pays £2.34m for remainder of ITFH

Reed International has acquired the 60 per cent shareholding in Industrial & Trade Fairs Holdings (ITFH) it does not already own.

ITFH was previously held as to 40 per cent by The Financial Times, a subsidiary of S. Pearson & Son, and 20 per cent by Transport Development Group.

The total consideration is £2.34m in cash. The turnover of ITFH is approximately £8m.

As before, Beck & Pollitzer, Contracts, Clements and Street and other subsidiary companies of Transport Development Group will continue to provide exhibition standfitting and electrical services for the Industrial and Trade Fairs Group at the National Exhibition Centre and elsewhere.

COATES BROTHERS LITHO PURCHASE

Coates Brothers will acquire on May 1 1983 S.D. Litho, of St Helens, Lancashire, manufacturer of pre-processed plates, from its present owner, BICC Group.

It is estimated that the net asset value of the company being acquired is £665,000.

S.D. Litho will be merged with Coates Litho Plates to form a new company, Coates Litho Products which will be located at St Helens.

The product ranges currently marketed by the two companies will continue to be supplied after amalgamation, with the expanded company, with its improved technical, manufacturing and sales resources, offering significant benefits to its customers in the future, he directors state.

TRIDENT SELLS TWO CASINOS

Trident Television has completed the sale to Pleasureza Casinos of the Portsmouth Casino Club and the Manchester Casino Club.

The sale price for the two related property assets amounts to £1,375,000 which is approximately equivalent to their book value.

Trident chairman Mr Ward Thorne said: "These clubs were part of the Playboy package acquired by Trident in January 1982. We are disposing of them because we wish to concentrate our gaming activities in London."

HIGHMANS GOES TO LARGS

LARGS, the Isle of Man private investment company, now has 90.8 per cent of the capital of Highmans, the textile manufacturer.

At the EGM of Highmans yesterday the resolutions were approved and offers have become unconditional in all respects and the Office of Fair Trading does not intend to refer the deal to the Monopolies Commission.

By February 18 Largs had received 99.99 per cent of the 66.8 per cent of the Highmans capital. Prior to the offer it owned 17.9 per cent beneficially and during the offer period acquired a further 8.0 per cent.

A management fee is charged annually at a rate of 0.6 per cent of the fund's net assets and there is also a custodian fee of 0.1 per cent per year and a small agent's purchasing commission. Shares may be redeemed free of charge.

BRABY/NORDIC

Acceptances of the offer for Braby by Doverford have been received on account of 3,356,306 ordinary shares units (33.71 per cent) and 52,923 preference shares (86.24 per cent) including the 5,959,333 ordinary shares (59 per cent) and 36,369 preference shares (59.27 per cent) held by Doverford's parent, Anglo Nordic Holdings.

Offers, which are wholly unconditional, have been recommended by Braby and will remain open until further notice.

The new share unit, consisting of one deferred share of 10p and one ordinary share of 1p, issued pursuant to the capital reorganisation approved on December 30 1982. One ordinary share unit is equivalent to one ordinary share of 10p in issue prior to the capital reorganisation.

WARDBY/T AND N

Wardby Group has completed the acquisition of Storeys Industrial Products from Turner and Newall.

The directors say this will create the largest group within the UK plastic sheeting and coated fabric industry with prospective annual sales of approximately £40m and employing 1,300 people. The group will now be in a strong position to counter the penetration of the UK market by foreign competitors, they state.

Wardby was advised on this transaction by Citicorp Development Capital and loan finance was provided by Williams and Glyn's and Hill Samuel.

HAT NEGOTIATIONS

Negotiations are at an advanced stage for HAT Group to acquire from Group Property Services, 90 per cent of Programmed Maintenance Painting, based in Scotland.

The total consideration will be less than £1m. Further details will be announced in due course.

HUNTLEY & PALMER

Unilever Brands offer for the Huntley & Palmer 5.4 per cent second preference shares has been accepted in respect of 247,000 shares (90.1 per cent). The offer remains open for acceptance until further notice.

LADBROKE INDEX

Based on FT index
644-649 (-3)
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GrandMet selling another hotel

BY DAVID DODWELL

Mr Stanley Grinstead, chairman of Grand Metropolitan, the hotel, drinks and leisure group, said yesterday that the sale of one of its London hotels is "imminent".

"There are still one or two hotels that do not figure in the strategy set out by the group," he said. Refusing to disclose the hotel to be sold, or the price, he said an announcement would be made in "the next one or two days."

The sale comes as part of GrandMet's rationalisation of hotel operations. It follows the purchase 17 months ago of the Intercontinental Hotels Corporation from Panam for about £500m.

"We have still not quite got to the end of our rationalisation programme, but we are at the stage of fine tuning," Mr Grinstead said. "The programme comes in the form of a series of hotel operations. It follows the purchase 17 months ago of the Intercontinental Hotels Corporation from Panam for about £500m."

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Small company aid service launched

THE INDUSTRIAL Society, a registered charity supported by the contributions of about 18,000 companies, yesterday launched a new service to help smaller businesses.

Companies with fewer than 50 employees can make unlimited use of the society's information service for a special membership fee of £50 a year.

This will provide practical advice on employment matters and legal guidance on employment law, as well as the society's magazine, newsletters, personnel check-lists and special rates for courses and conferences.

Larger companies pay according to the number of their employees. The average rate is about £250 to £300.

Chas Baynes unchanged at £415,000

Unchanged pre-tax profits of £415,000 are reported by Charles Baynes, manufacturer of hand-saw blades, for 1982. At half-way, taxable figures had risen from £193,918 to £212,566.

Despite a reduction in earnings per 10p share from 3.53p to 3.27p, the year's net dividend is being increased to 0.85p against 0.75p, with a final payment up from 0.5p to 0.6p.

Turnover for the period was virtually unchanged at £2,06m, but exports fell from £426,000 to £224,000. At the attributable level, profits were down from £248,000 to £220,000, after a higher tax charge of £185,000 (£167,000).

Manganese again improves

IN THE six months which ended January 31 1982, Manganese Bronze Holdings continued its improving trend. The group, which is a component-maker for motor vehicles and for consumer durables, turned in a pre-tax profit of £148,000.

This compares with a loss of £182,000 in the corresponding period of 1981-82. However, that was converted into a profit of £349,000 by the end of last year. The dividend paid was 2.17p net.

The directors state that the company's policy will continue to be directed toward the creation of an organisation which can exist with some profit in adverse conditions.

These conditions continue to cause the home metal industry to contract and as yet show no real sign of general improvement.

For the six-month period, turn-

over of the group rose by nearly £2m to £18.52m, although when accounting changes related to the car body division are allowed for, turnover is down by about 10 per cent.

Although no actual completion of sales of any of its properties for disposal can be reported, negotiations indicated that some progress is in prospect. The company said the market for industrial properties in the Midlands and the North remained "remarkably stagnant" and little purchase interest had appeared.

For a nominal consideration, BSA Foundries has acquired a company owning a small foundry, with net tangible assets at written down value of some £50,000.

Methods being used at Darlington will be introduced at the foundry, particularly for casting high

temperature-resistant ferrous alloys, for which the plant at Darlington is not wholly suitable.

"After the widespread cutbacks of the last few years it must be a matter of some satisfaction to record a step in forward direction, however small," the directors state.

Manganese Bronze has completed the purchase at 45p each of 80,000 of its own preference shares from Norton Villiers Triumph, following the authorisation given last year.

The company workforce has been cut by a further 100 since the year-end to about 1,450 and more redundancies are expected by July in all divisions except car bodies, from where exports have been increasing. Dependence upon BL has been reduced drastically.

Listing for Swiss managed fund

BY CLIVE WOLMAN

Bank Julius Baer, one of Switzerland's largest private banks, has applied for a Stock Exchange listing for shares in its Luxembourg U.S. dollar money market fund.

The fund, which is incorporated in the Cayman Islands and managed from Switzerland, was launched last August and now has assets of about \$32m.

Just over 40 per cent of its portfolio is in AAA-rated bonds with maturity dates less than 18 months away. 22 per cent is in three-month Treasury bills and 34 per cent in bank deposits. All the investments are denominated in U.S. dollars.

Investments are made in the fund through the purchase of participating redeemable preference shares. No dividends are paid and all net income received is re-invested in the fund boosting the value of its shares.

The Liquibair fund offers a similar degree of liquidity to a U.S. bank deposit but an annual rate of return of perhaps 2 per cent higher. However, in addition to the currency risk, the fund is exposed to the possibility of an unexpected surge in U.S. inflation rates.

A management fee is charged annually at a rate of 0.6 per cent of the fund's net assets and there is also a custodian fee of 0.1 per cent per year and a small agent's purchasing commission. Shares may be redeemed free of charge.

Better prospects for Gestetner

DESPITE DIFFICULT world trading conditions, which particularly affected the reprographic industry, the changes made at Gestetner Holdings will strengthen the group in the medium and long term.

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MINING NEWS

Impala Platinum halts the slide in profits

BY KENNETH MARSTON, MINING EDITOR

THE FALL in profits of the South African Gecor group's Impala Platinum Holdings has now been arrested. Announcing maintained earnings for the first half of the current year to June 30, the big producer of platinum forecasts that the total for the year will match that of 1981-82.

In that year they dropped 29 per cent from the 1980-81 record of R126.7m (£74m) to R98.4m, or 155 cents (£2p) per share. The company paid an interim of 25 cents followed by a final of 50 cents. Impala is now maintaining the 25 cents interim payment for the current year.

Six months to 31.12.82 31.12.81
Consolidated profit ... 86,177 89,316
Tax and losses ... 35,990 38,078
Profit after tax ... 50,187 51,240
Earnings per share (cents) ... 25 25
Dividend per share (cents) ... 25 25

The latest half-yearly net profit of R50.2m, equal to 37 cents per share, compares with R51.2m in the same period of 1981-82. The year when earnings for the second half declined to R38.2m, in line with the market weakness in platinum.

Because the platinum market

Australian mining shares suffered a sharp setback on the London Stock Exchange yesterday following the Australian Labor Party's victory in the West Australian state election at the weekend. The prospect of a Labor win in the coming March 5 Federal election led to heavy selling of the leading

shares. It is not clear whether the fall in the price of the gold price was a result of the election or a result of the fall in the price of the gold price.

Impala is now the only major mine to maintain the production of platinum. It is now the only major mine to maintain the production of platinum.

Rustenburg's financial year ended on August 31 and the results for the first half of the current period are due in about a month's time. In the year to last August the company's net profits dropped 68 per cent of R1m.

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Denison sees improved profits

CANADA'S Denison Mines expects to do better during the first quarter of this year than the 40 cents (21p) per share earned in the same period of 1982, according to Mr Stephen B. Roman, chairman.

For the full year, Denison should improve on last year's earnings of C\$2.77 a share by 10 per cent or more, he told the annual meeting in Toronto.

Roman based his optimism about prospects on the belief that uranium prices will rise this year from the current free market level of \$17.50 per pound as stocks held by the utility companies run down.

In view of this, Denison will decide within the next three or four months whether to go ahead with the development of the Koozgarra uranium deposit in the Northern Territory of Australia.

An open-pit operation at Koozgarra would cost about U.S.\$110m, and could produce about 3m lbs of uranium a year. The deposit could be brought into production in 18 months or so.

As far as other prospects are concerned, Mr Roman expects the company to decide by the end of this year whether to develop the Belmont metallurgical coal joint venture in British Columbia.

Feasibility studies indicate that Belmont, owned at 60 per cent by Denison and 40 per cent by Gulf Canada, could produce 10 tonnes of coal annually.

The company's 60 per cent ownership prospect in New Brunswick is now expected to cost C\$300m by the time it comes on stream in late 1985. The remaining 40 per cent of the deposit is held by Potash Company of Canada, ownership of which is shared between France's Entrepreneurs Miniers et Chimiques and Kail and Sals of West Germany.

The partners are hoping that the potash market will have turned upwards again by the time the prospect comes into production.

Mr Roman told the meeting that he did not know the identity of the purchasers of Denison's 10 per cent stake in Denison, which was an exchange profit in the previous three months.

He added that Dôme had offered the shares to Denison, but the company preferred to use available funds to develop new projects.

Northgate Expln. has larger loss in 1982

CANADA'S Northgate Exploration slipped back into losses in the fourth quarter of last year after having made a modest profit in the previous three months.

A final quarter net loss of C\$1.6m (£347,000) brings the total loss for 1982 to C\$13m, equal to C\$1.67 per share. This compares with a net loss of C\$4.1m in 1981.

The latest results reflect low metal prices and high interest rates, particularly in the first half, and the weakness of the Canadian dollar which had an adverse exchange rate effect on

the group's U.S. dollar debt. Last year Northgate produced 56,500 ounces of gold, 237,000 oz of silver, 28m lb copper and 11m lb zinc.

In the fourth quarter of 1982 the rise in gold prices helped to offset higher costs, increased provision for depreciation and an exchange loss.

Providing that metal prices stay at their current levels, however, the group should do better in the current quarter.

Israel Chemicals also reported that profits were maintained last year, in spite of a 30 per cent fall in world market prices, by 22 per cent increase in the volume of sales.

body for Israel's basic chemicals industry, has reported export sales in both volume and value over the past two months, reports L. Daniel in Tel Aviv.

Last month's exports of US\$33.4m (£22m) were 52 per cent higher than for January 1982, thanks largely to bigger shipments of potash by Dead Sea Works, Negev Phosphates, Bromine Company and the two fertilizer plants belonging to the group.

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At October 31 two officers had loans outstanding from the company totalling £39,000.

Government at 112p, finished first day dealings last Wednesday at 138p. By the end of last week they were 137p each, but yesterday they reached a new high of 145p, a premium of almost 30 per cent over the value placed on the shares by the Government.

Tomorrow's dealings begin in the shares of Superdrug, subject of the most oversubscribed new issue on record. An opening price of about 250p seems on the cards, a premium of 31 per cent over the 175p chosen by brokers Scrimgeour Kemp-Gee.

The year-end balance sheet shows ordinary shareholders' funds at £533.84m, against £566.77m.

agreement will assist in reducing interest bills in the current year. The chairman stresses that it would be wrong to predict results for 1983. But actions taken do enable him to express confidence in the long term strength of the group and its ability to produce growth in earnings.

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APPOINTMENTS

Managing director for Lincoln Electric

Following the recent takeover of LINCOLN ELECTRIC by ESAB AB, Sweden, Mr Gordon W. Cheesman has been appointed managing director, and chairman of Brinai, a specialist welding electrode company.

Both these companies were acquired by ESAB from Guest Keen and Nettlefolds on September 1 1982, along with other welding companies of GKN's then welding division.

Mr Cheesman was director of Arcos, Mr Cheesman was director and general manager of GKN Chep.

LOCKERBIE AND WILKINSON (TIPTON), abattoir and conveyor specialists, has appointed Mr Robin Gifford (formerly director and general manager) as sales director.

Mr James Hayman, has been appointed general sales manager by FITNEY BOWES, Harlow. He joins the company from AM International, where he was a director.

The H and J QUICK GROUP, Ford main dealers, has appointed

Mr Michael Johnson, group financial controller and Mr Brian Perry, company secretary. Mr Johnson was financial director of Duplex Coachbuilding, Blackpool. Mr Perry was secretary of Quicks operating company.

Mr Brian V. Wilson, ALLIED IRISH INVESTMENT BANK general manager - Britain, has been appointed a director of the bank and Mr Denis J. Nolan, chief manager FX treasury, Britain, becomes an associate director.

Mr John McLeod has been appointed secretary of SILENT NIGHT HOLDINGS, Barroldwick. He was previously assistant secretary. Mr McLeod fills the vacancy created by the sudden death last year of Mr R. A. Faulding.

Mr J. M. (Nick) Williamson has been appointed director of the INTER-BANK RESEARCH ORGANISATION (IBRO) in succession to Mr C. N. Read, who

recently moved to the Post Office as director of information technology.

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Mr Nick Williamson, new IBRO director

behalf of the London and Scottish Clearing Banks by which it is sponsored. Mr Williamson joined IBRO in 1982 and has been its deputy director since 1976. He had previously worked as a management scientist in the steel, engineering and nuclear power industries.

EVERSHED ROBOTICS, newly formed to market Toshiba Seiki robots in the UK and Germany, has appointed Mr L. B. Whitaker as chairman and chief executive and Mr Derek Owers as managing director. Mr Whitaker is also chairman of the Radamec Group which recently purchased Evershed Power Optics from Brown Boveri Kent and launched Radatron Micro systems. Mr Owers was general manager of the GEC robotics company, Hall Automation.

UNICOM NEWS, a commodities information company, has appointed Mr David Wilson as sales and marketing director. He was with Rank Xerox.

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NOTICE OF REDEMPTION

Wang Laboratories (N.A.) N.V.

9 1/4% Convertible Subordinated Guaranteed Debentures Due 1996

(Convertible into Class B Common Stock of and Guaranteed on a Subordinated Basis as to Payment of Principal, Premium, if any, and Interest by Wang Laboratories, Inc.)

Redemption Date: March 24, 1983

Conversion Right Expires: March 24, 1983

Wang Laboratories (N.A.) N.V. has called for redemption on March 24, 1983 all of its outstanding 9 1/4% Convertible Subordinated Guaranteed Debentures Due 1996 at a redemption price of 105% of the principal amount of Debentures plus accrued interest to March 24, 1983, for a total of \$1,129.40 for each \$1,000 principal amount of Debentures. The Debentures are convertible into shares of Class B Common Stock of Wang Laboratories, Inc. until the close of business on March 24, 1983, at a conversion price of \$23.625 per share or 42,328 shares of Class B Common Stock for each \$1,000 principal amount of Debentures. As described below, based upon current market prices, the market value of the Class B Common Stock into which each Debenture is convertible is significantly greater than the amount of cash which would be received upon surrendering a Debenture for redemption. All rights to convert the Debentures into Class B Common Stock of Wang Laboratories, Inc. expire at the close of business on March 24, 1983.

NOTICE IS HEREBY GIVEN to the holders of outstanding 9 1/4% Convertible Subordinated Guaranteed Debentures Due 1996 (the "Debentures") of Wang Laboratories (N.A.) N.V. ("International") that in accordance with the terms of the Indenture dated as of May 15, 1981 (the "Indenture"), among International, Wang Laboratories, Inc. (the "Company"), as Guarantor, and The Chase Manhattan Bank, N.A., as Trustee, International has elected to redeem all of the outstanding Debentures on March 24, 1983 (the "Redemption Date"), at a redemption price of 105% of the principal amount thereof plus accrued interest from May 15, 1982 to March 24, 1983, or an aggregate of \$1,129.40 for each \$1,000 principal amount of Debentures, together with all unaccrued interest coupons, should be surrendered for payment of the redemption price and accrued interest at the option of the holder either (a) (by hand) to The Chase Manhattan Bank, N.A., 67 Broad Street, 14th Floor, Special Bonds Processing Department, New York, New York 10004 or (by mail) to The Chase Manhattan Bank, N.A., Special Bonds Processing Department, P.O. Box 190, Bowling Green Station, New York, New York 10274, or (b) subject to any laws or regulations applicable thereto in the country of any such office, to the offices of the additional Paying and Conversion Agents set forth below. Payment of the redemption price and accrued interest will be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Payment at the offices referred to in (b) above shall be made, at the direction of the holder, by check drawn on, or transfer to a United States dollar account maintained by the payee with, a bank in the Borough of Manhattan, the City of New York.

On the Redemption Date, the redemption price (plus accrued interest) will become due and payable upon each Debenture. The Debentures will no longer be outstanding after the Redemption Date and all rights with respect thereto, including accrual of interest, will cease on that date, except only for the right of the holders thereof to receive the redemption price and interest accrued to such date.

The election of International to redeem all of the outstanding Debentures has been made pursuant to the fourth paragraph of the form of Debenture. The condition precedent to the right of International to redeem the Debentures pursuant to such paragraph has occurred because the reported last sale price per share of Class B Common Stock of the Company ("Class B Common Stock") on the American Stock Exchange on each day on which there was such a reported last sale price within the 30 days immediately preceding the 15th day preceding the date upon which this Notice of Redemption was first published was at least 130% of the Conversion Price (as defined in the Indenture) in effect on each such day.

In accordance with the Indenture, International and the Company have entered into a Standby Agreement, dated February 18, 1983, with MERRILL LYNCH WHITE PIERCE FENNER & SMITH INCORPORATED (the "Standby Purchaser") pursuant to which the Standby Purchaser has agreed to purchase and convert into Class B Common Stock any Debentures which are either

THE MANAGEMENT PAGE: Small Business

ONE OF the most remarkable bright spots of entrepreneurial activity in the UK lies in the fast-growing world of micro-computer systems. A considerable number of aggressive new companies has been springing up around the country.

Small groups of computer engineers have built microcomputers around standard microprocessor chips from leading semiconductor suppliers, like Texas Instruments, Motorola, Intel and Zilog. And one new company that has begun to stand out from the crowd is High Integrity Systems.

The reason is simply that its microcomputer product is based around an incredibly powerful microprocessor developed by Intel, one of the most technologically advanced semiconductor companies.

Intel's 432 microprocessor is a set of three microchips which can be held in the palm of the hand but which have the processing power of a medium-sized mainframe computer taking up a whole room and needing air conditioning. The 432's power is comparable with one of Digital Equipment's most powerful and expensive mini-computers. Other companies also have powerful "computers on a chip."

Intel launched the chip set in early 1981 and as yet there is no real commercial application. It is a product for the second half of the decade. One of the problems of such a powerful microprocessor is the complexity and difficulty of constructing the electronics around it so that it can communicate with "the real world."

Intel acknowledges that this is a task for a large sophisticated computer company with substantial resources. High Integrity Systems (HIS) is, however, one of the few companies in the world building the 432 into a working system. HIS employs 10 people and is based out of a row of shops in the village of Sawbridgeworth in Hertfordshire.

The potential applications for the 432 are thought to be considerable — although it is acknowledged that many may not yet have been dreamed up. Essentially it gives tremendous computing power in a very small space at a relatively low cost.

Such a computer can make a major difference in robotics, telecommunications and graphics systems and other applications. Another important aspect of the 432 is its ability to link several processors so that it can give "non-stop" computing if one fails. This is a field which has been strongly exploited by Tandem computers at a mainframe level and makes



Daphne Gordon: paid salaries out of her own savings

Hugh Routledge

Mighty micro makers

High Integrity Systems was set up to try and make practical use of an Intel 'super chip'. Jason Crisp reports

the 432 particularly attractive in military applications.

Intel has been so impressed by HIS that it is now considering a collaboration between the two companies on the application of the 432 chip. David Mayes, Intel's North European marketing manager, describes HIS as a "unique group of people who have succeeded by the virtue of their brainpower rather than their pound power."

The story began, falteringly enough, just over two years ago. A group of five bright computer engineers who worked for UK subsidiaries of ITT, the U.S. multinational, began to spend many anguished hours together talking in pubs, their homes and office corridors.

This small group had been part of an ITT team evaluating Intel's 432 from 1978. The chips have considerable potential application in telecommunications.

The five from ITT had been deeply impressed by the power and potential of the 432 chips and almost instinctively believed in their potential. Daphne Gordon, project leader at ITT and now managing director of High Integrity Systems, says:

"The feeling was that here was an opportunity for a product with a whole new market even if we were not sure what the product was, what it would look

like or even if it was hardware or software."

The group first suggested to ITT that it should back them with £250,000 for two years so they could develop a so-called board level product around the 432; in other words to build the printed circuit boards around the chips thus enabling them to be used for practical functions.

The five operated then, and later, on a committee basis — which proved to be a recipe for indecision. After waiting for several months for a response from ITT the group was jolted into action when one of the key members suddenly announced he had handed in his notice.

The result was that all the group decided to leave and set up a company backed by their own savings (about £5,000 each). The object was to develop the 432 but also to earn money through consultancy work.

Since its foundation High Integrity Systems has been characterised by its technological skill and long periods of indecision, rescued by an ability to pull off favourable deals when most needed.

Daphne Gordon acknowledges: "We're a young 10-person company and our strength is in

moving quickly. But it took us two years to learn to do that."

The first deal was effectively a barrier arrangement with Intel itself. HIS persuaded Intel to give it a substantial amount of computer hardware and software and a valuable compiler for the 432's programming language, called ADA.

In exchange HIS agreed to provide consultancy for Intel on the 432 (for which it would be paid), grant it rights on any product it developed (for which Intel would pay a royalty) and to return the equipment if the company failed.

Armed with this agreement, HIS negotiated, with apparently remarkable ease, a sizeable overdraft facility with a local Barclays bank. For nearly four months the company did no consultancy work — "We rather naively thought it would walk through the door," reflects Daphne Gordon.

And although work was progressing with the 432 project no money was coming in and the overdraft facility was being fast used up. It was at this stage that Daphne Gordon took charge of the company. From her own savings — boosted by some favourable deals on house purchases — she paid the salaries out of her own money, lending

a total of £18,000 to the company. "I absolutely abhor being in the red," she says.

Daphne Gordon, 33, took a degree in computer sciences at London University before joining Elliott Automation, which was subsequently taken over by Marconi, where she worked on programming and systems design on radar and air traffic controls. She joined ITT in 1974 and led several different projects in research and development.

The committee structure was abolished and an executive board of three was established. It was also clear that the company needed at least £100,000 to put it on a sound footing and that it was obviously not going to come from consultancy work.

In September 1981 she approached Greene and Co. the stockbrokers, after reading about them in Computing magazine, with little to offer other than the deal with Intel, the overdraft facility, and several reams of paper containing a computer design.

Greene quickly made an offer of just under £150,000 for 25 per cent of the equity. Grappled with that familiar small company fear of selling its shares, HIS dithered about making a decision for nearly six months.

While this was going on HIS signed a technology transfer deal with Systime, the Leeds-based minicomputer company.

Although the sum for HIS was substantial it may eventually look at Systime as a bargain. But the deal provided a much needed cash injection, a powerful discipline for HIS's designers to make the product work on schedule and was another technological endorsement of its technology.

In the end HIS sold 20 per cent of its equity for £112,000. Another discipline — self-imposed — was to appoint a marketing director who put himself in the position of a customer. They felt that as a group of specialised computer engineers there was a danger of producing an unsaleable and over-sophisticated product.

HIS recognises that its skills are neither in marketing nor manufacture and intends to keep itself as a very small unit. Marketing will be mainly done by the original equipment manufacturers and manufacturers subcontracted.

Daphne Gordon thinks 50, mainly professional, staff would be the optimum size.

In its first 15 months HIS has shown a profit of £9,400 on a turnover of £141,000, of which about half came from consultancy work. In the current financial year ending September 1983 the company hopes to make a profit of £50,000 on a turnover in the region of £600,000.

Government purchasing

'Hawks' and 'Doves' divided on concept of special treatment

SMALL firms want a bigger share of government contracts — and just how they should get it has recently sparked a lively controversy in business and political circles.

The issue is high on the shopping list of many small business lobby groups, and it cropped up at the recent conference to launch the 1983 European Year of Small and Medium Sized Enterprises and surfaced again last week in a speech by Michael Heseltine, Defence Minister.

Although nobody has even a rough idea of the figures, there is a widespread belief that small firms in the UK get a raw deal when bidding for public sector contracts. Given their inherently limited capacity, and in many cases a short track record and higher costs of materials, they are seen to stand at a distinct disadvantage against large companies which tend to dominate the lists of approved Government suppliers.

If politicians are serious about encouraging small firms in this country, so the argument runs, why not throw them a bit more of the 1983 which the Government currently spends on goods services?

The "hawks" in this debate — such as the Union of Independent Companies and the Forum of Private Business — want a specific programme "set aside" under which a given percentage of public sector spending would be reserved for small firms. They point to the U.S. where some 20 per cent of Government contracts are required by law to be handed to small business.

"Doves" such as the Confederation of British Industry and the Institute of Purchasing and Supply have also thrown their hats into the ring, in both cases arguing out strongly against "set asides".

Ernest Walker, head of the technical department of the IPS, for example, says that the institute is "totally against" this idea. "We favour free competition, if you don't have this you are going to get to a situation where small companies will be tendering a less competitive price and then who stands the difference? I think that smaller organisations, and some larger ones for that matter, do not know how to go about tender-

ing for Government contracts. We have been running seminars up and down the country telling people about the procedures and we think this is the best way to open the door."

Ray Cobbett, an IBM purchasing manager seconded to the London Enterprise Agency (LEA), strongly argues that buyers in both the public sector and in big companies should be "more aware of the dynamics of scale" when choosing a company to deal with. "Small companies have plenty of advantages when it comes to

meeting the Buyers' sessions, more imaginative initiatives by big companies and Government to explain their needs to potential suppliers, and a simplification of the Government's 87 pages of terms and conditions.

In a speech last week to the Small Business Bureau, a Tory pressure group, Michael Heseltine stressed that value for money was the Government's prime requirement as a customer of British industry. He pointed out, however, four ways in which small companies can sell a product or service to the Ministry of Defence.

● Direct contracts. These are awarded by the headquarters contract branch of the Ministry. Heseltine said a significant number go each year to smaller firms, "once they have satisfied us both as to their commercial viability and technical competence."

● Sub-contract opportunities. The general rule is for prime contractors to choose their own sub-contractors "and it is thus to the defence prime contractors that we urge small firms to address themselves."

● Local purchase arrangements. Most service units, MoD research establishments and Royal Ordnance Factories turn to local suppliers for goods and services which take too long to be obtained centrally and are most cost-effective purchased locally. Invitations to tender are issued from the establishment itself — the point of entry is through the officer in charge or his Local Purchase Officer.

● EEC Supplies Directive and the Gatt Agreement on Government Procurement. Purchasing authorities are obliged to advertise in the Official Journal of the European Communities all intended contracts worth more than £110,000 ("warlike" stores are excluded).

Current Government thinking is against set asides, mainly on the grounds that more civil servants would be needed to administer a programme. In Development Areas, however, the MoD has a policy of giving 10 per cent of its business to small firms. It also gives those closest to a big company's best tender price another opportunity to match it.

Tim Dickson

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Cool reception for \$50m Saitama Bank Eurobond

A \$50m seven-year Eurodollar bond for Saitama Bank, Japan's 11th largest commercial bank, was last night getting a cool reception in Europe. BankAmerica International and Santama Bank (Europe) are lead-managing the deal, which carries an initial yield indication of 11½ per cent, said by the market to be a somewhat aggressive pricing. The Santama bond issue, however, is the first in the Eurodollar sector, involves an interest-rate swap transaction, whereby an unnamed counterparty agrees to pay the fixed-rate coupon and the Japanese bank takes over the counterparty's floating rate liability in exchange. Saitama will use the proceeds to match Euromarket floating-rate assets and liabilities.

In secondary trading yesterday, prices of Eurodollar bonds gained between ¼ and ½ point. Trading activity was generally light, but the U.S. Treasury market was closed for Washington's birthday. Most of yesterday's scattered buying took place in the early morning.

Although new issue managers are watching carefully for their launch of Eurodollar deals, the market believes that at least two new bonds are being prepared. Credit Suisse First Boston is at work on a \$100m interest-rate swap for Japan's Long-Term Credit Bank, this like the \$125m 15½ per cent seven-year LTCB issue of last July, will be an interest rate swap.

The European Investment Bank (EIB), meanwhile, is sounding out the market with a view to launching its first dollar bond of 1983, and the first under the new financial management of M Philippe Marchat, who replaced M Andre George on January 1.

West German and Swiss foreign bond prices closed unchanged.

Wood Gundy reports that it is stepping up the closing date on subordinated debt to C\$50m, a year, 12½ per cent issue for Farm Credit Corporation from the scheduled March 3 to today. The deal, priced at 90½, is trading well in the pre-market at a discount of around ¼.



The unaudited consolidated results of this Company's operations during the six months ended 31 December 1982, together with comparative figures, are as follows:

At this stage it is not expected that profits for the year to 30 June 1983 will be materially different from those of the previous year.

Industrial demand.

Interim Dividend declared on 21 February 1983—Payable on 14 April 1983
Amount per share 25 cents—Currency conversion 5 April 1983

Copies of the full Interim Report will be posted to shareholders on or about 1 March 1983 and may be obtained from the office of the London Secretaries, 30 Ely Place, London EC1N 6UA.

AB Svensk Exportkredit	£20,000,000 15¼% Sterling/US Dollar Option Notes 1965
AB Svensk Exportkredit	US\$40,000,000 12½% Notes due 1985
AB Svensk Exportkredit	US\$50,000,000 12% Notes due 1983
AB Svensk Exportkredit	US\$75,000,000 13% Notes due 1986
AB Svensk Exportkredit	£20,000,000 13¾% Notes due 1986
AB Svensk Exportkredit	US\$50,000,000 15¾% Notes due 1986
AB Svensk Exportkredit	US\$75,000,000 Retractable Notes due 1993
AB Svensk Exportkredit	US\$50,000,000 Zero Coupon Discount Notes due 1987
AB Svensk Exportkredit	US\$75,000,000 Floating Rate Notes due 1987 with warrant to purchase US\$112,500,000 14¾% Bonds due 1990
AB Svensk Exportkredit	US\$200,000,000 Zero Coupon Notes due 1994
AB Svensk Exportkredit	US\$100,000,000 15¼% Notes due 1989 Convertible into Floating Rate Notes due 1989
AB Svensk Exportkredit	US\$100,000,000 14¾% Notes due 1990
City of Gothenburg	US\$30,000,000 8¾% Bonds due 1987
Copenhagen County Authority	US\$25,000,000 9¼% Notes due 1990
Credit National	US\$200,000,000 Floating Rate Notes 1994
European Economic Community	US\$65,000,000 14¾% Bonds due 1993
International Commercial Bank of China	US\$20,000,000 Floating Rate Notes 1983
Kingdom of Spain	US\$100,000,000 15¼% Notes due 1987
Kingdom of Sweden	US\$150,000,000 Floating Rate Notes due 1988
Kingdom of Sweden	US\$110,000,000 Floating Rate Notes due 1988
Kingdom of Sweden	US\$650,000,000 Floating Rate Notes due 1989
Republic of Finland	US\$100,000,000 9½% Notes due 1986

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NORTH AMERICAN QUARTERLY RESULTS

IN ORIO

Fourth quarter	1982	1981	\$
Revenue	247.0m	225.0m	163.3m
Net profits	1.56m	2.71m	13.18m
Net per share	0.22	0.42	1.26
Year			
Revenue	920.8m	891.5m	527.6m
Net profits	6.36m	9.13m	47.8m
Net per share	0.92	1.39	2.36

EDISON BROTHERS STORES

Fourth quarter	1982	1981	\$
Revenue	266.8m	227.4m	454.7m
Net profits	11.70m	15.58m	27.58m
Net per share	1.09	1.37	0.78
Year			
Revenue	915.3m	951m	1,300m
Net profits	23.21m	43.65m	77.6m
Net per share	5.00	8.85m	1.03

FAIRCHILD INDUSTRIES

Fourth quarter	1982	1981	\$
Revenue	296.2m	362.1m	68.4m
Net profits	7.7m	4.5m	27.5m
Net per share	0.41	0.19	0.25
Year			
Revenue	1,050m	1,340m	306.7m
Net profits	35.3m	64.8m	27.5m
Net per share	1.90	3.48m	1.16

FERRO INC.

Fourth quarter	1982	1981	\$
Revenue	133.7m	165.3m	126.2m
Net profits	1.60m	2.25m	126.2m
Net per share	0.25	0.54	1.62
Year			
Revenue	595.8m	702.2m	600.0m
Net profits	10.3m	25.3m	600.0m
Net per share	1.37	3.30	6.00

GENERAL HOST

Fourth quarter	1982	1981	\$
Revenue	105.1m	114.5m	105.1m
Net profits	9.41m	10.41m	105.1m
Net per share	0.78	0.85	105.1m
Year			
Revenue	447.0m	455.5m	447.0m
Net profits	40.00m	44.35m	447.0m
Net per share	3.26	3.62	447.0m

INEXCO OIL

Fourth quarter	1982	1981	\$
Revenue	47.3m	62.5m	47.3m
Net profits	4.07m	9.59m	47.3m
Net per share	0.16	0.40	47.3m
Year			
Revenue	217.5m	236.7m	217.5m
Net profits	18.67m	31.52m	217.5m
Net per share	0.77	1.32	217.5m

INTERMOUTH

Fourth quarter	1982	1981	\$
Revenue	1.19m	1.00m	1.19m
Net profits	30.79m	80.84m	1.19m
Net per share			1.19m
Year			
Revenue	207.8m	215.8m	207.8m
Net profits	72.25m	53.53m	207.8m
Net per share	11.05	2.30	207.8m

MASCO CORPORATION

Fourth quarter	1982	1981	\$
Revenue	48.4m	50.7m	48.4m
Net profits	11.18m	2.05m	48.4m
Net per share	10.94	0.88	48.4m
Year			
Revenue	207.8m	215.8m	207.8m
Net profits	72.25m	53.53m	207.8m
Net per share	11.05	2.30	207.8m

JOHNSON AND JOHNSON

Fourth quarter	1982	1981	\$
Revenue	1,380.0	1,390.0	1,380.0
Net profits	78.4m	98.7m	1,380.0
Net per share	0.42	0.48	1,380.0
Year			
Revenue	5,760m	5,400m	5,760m
Net profits	473.4m	457.6m	5,760m
Net per share	2.32	2.51	5,760m

KERR GLASS MANUFACTURING

Fourth quarter	1982	1981	\$
Revenue	99.1m	106.2m	99.1m
Net profits	12.89m	1.02m	99.1m
Net per share	10.79	0.04	99.1m
Year			
Revenue	490.7m	485.8m	490.7m
Net profits	7.65m	12.07m	490.7m
Net per share	1.03	2.12	490.7m

LIQUID AIR

Fourth quarter	1982	1981	\$
Revenue	110.0m	104.5m	110.0m
Net profits	5.50m	7.6m	110.0m
Net per share	0.44	0.62	110.0m
Year			
Revenue	445.0m	430.0m	445.0m
Net profits	27.21m	31.5m	445.0m
Net per share	2.13	2.86	445.0m

JONATHAN LOGAN

Fourth quarter	1982	1981	\$
Revenue	90.3m	94.7m	90.3m
Net profits	2.91m	2.30m	90.3m
Net per share	0.62	0.26	90.3m
Year			
Revenue	392.5m	417.7m	392.5m
Net profits	13.45m	111.8m	392.5m
Net per share	2.88	12.32	392.5m

LUCKY STORES

Fourth quarter	1982	1981	\$
Revenue	2.71m	2.00m	2.71m
Net profits	48.68m	38.79m	2.71m
Net per share	0.82	0.77	2.71m
Year			
Revenue	1,260m	1,230m	1,260m
Net profits	18.3m	96.3m	1,260m
Net per share	1.13	5.97	1,260m

PEOPLES DRUG STORE

First quarter	1982-83	1981-82	\$
Revenue	26.60m	21.64m	26.60m
Net profits	5.15m	4.47m	26.60m
Net per share	1.03	0.50	26.60m
Year			
Revenue	92.6m	53.8m	92.6m
Net profits	9.19m	5.15m	92.6m
Net per share	0.42	0.21	92.6m

PETRO-LEWIS

Second quarter	1982-83	1981-82	\$
Revenue	22.6m	10.6m	22.6m
Net profits	1.91m	0.51m	22.6m
Net per share	0.58	0.51	22.6m
Year			
Revenue	171.4m	110.2m	171.4m
Net profits	10.71m	10.65m	171.4m
Net per share	0.58	0.51	171.4m

PHOENIX STEEL

Fourth quarter	1982	1981	\$
Revenue	20.2m	20.2m	20.2m
Net profits	110.73m	1.50m	20.2m
Net per share	1.21	0.28	20.2m
Year			
Revenue	147.8m	207.5m	147.8m
Net profits	117.49m	17.49m	147.8m
Net per share	12.07	6.05	147.8m

PIONEER CORPORATION

Fourth quarter	1982	1981	\$
Revenue	252.8m	317.5m	252.8m
Net profits	18.00m	25.20m	252.8m
Net per share	1.50	2.06	252.8m
Year			
Revenue	95.2m	140.1m	95.2m
Net profits	660.0m	973.0m	95.2m
Net per share	12.8m	12.0m	95.2m

PLAYBOY ENTERPRISES

Second quarter	1982-83	1981-82	\$
Revenue	51m	53.8m	51m
Net profits	172.00m	120.00m	51m
Net per share	10.07	10.09	51m
Year			
Revenue	95.5m	106.2m	95.5m
Net profits	72.87m	122.8m	95.5m
Net per share	10.30	10.30	95.5m

POWER CORPORATION OF CANADA

Fourth quarter	1982	1981	\$
Revenue	11.8m	16.9m	11.8m
Net profits	0.43	0.93	11.8m
Net per share	0.43	0.93	11.8m
Year			
Revenue	48.0m	96.0m	48.0m
Net profits	1.67	3.63	48.0m

PSA

Fourth quarter	1982	1981	\$
Revenue	121.2m	110.6m	121.2m
Net profits	110.55m	8.00m	121.2m
Net per share	12.56	1.60	121.2m
Year			
Revenue	428.6m	355.5m	428.6m
Net profits	28.72m	3.50	428.6m
Net per share	3.50	6.10	428.6m


TESORO PETROLEUM

First quarter	1982-83	1981-82	\$
Revenue	695.4m	680.0m	695.4m
Net profits	10.3m	21.0m	695.4m
Net per share	0.70	1.20	695.4m
Year			
Revenue	2,770.2m	2,650.0m	2,770.2m
Net profits	27.1m	74.5m	2,770.2m
Net per share	1.35	1.20	2,770.2m

TEXAS GAS

Fourth quarter	1982	1981	\$
Revenue	770.2m	764.5m	770.2m
Net profits	26.5m	37.1m	770.2m
Net per share	1.35	1.20	770.2m
Year			
Revenue	2,770.2m	2,650.0m	2,770.2m
Net profits	27.1m	74.5m	2,770.2m
Net per share	1.35	1.20	2,770.2m

UNITED



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during the six months ended

6 Months	Year
31,12.81	30.6.82
R000	
89,31.6	154,926
38,076	65,475

The list shows the 300 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. The following are closing prices for February 21.

[illegible]

Call Bill Grandy
01-236 5211

Highlights from the Consolidated Account for the year ended 31st December 1982

	1982 £m	1981 £m
Total Capital Funds	207.3	184.3

Loans and Advances	1,082.9	1,041.2
Total Assets	2,167.1	1,990.3

Profit before Taxation	9.5	12.5
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[illegible][illegible]

KLM Dutch Air 5 1/2 % 92	100	101 1/2	104 1/4	-0 1/4	5.82	
KLM Dutch Air 5 1/2 % 92	100	104	104 1/4	-0 1/4	5.86	
KLM Dutch Power 8 1/2 % 92	100	109 1/2	110 1/2	-0 1/2	6.21	
New Zealand 5 1/2 % 92	100	101 1/2	102	-0 1/4	5.80	
Nippon Airways Co B 93	56	102 1/4	102 1/4	0	5.89	
Nippon Airways 5 1/2 % 92	100	101 1/2	102 1/4	-0 1/4	5.89	
Northwest Orient Co 5 1/2 % 92	100	101 1/2	101 1/4	-0 1/4	5.81	
O.R.B. BNA 93	80	101	101 1/4	-0 1/4	5.58	
O.R.B. BNA 5 1/2 % 92	100	102	102 1/4	-0 1/4	5.87	
Quebec 5 1/2 % 92	100	102	103 1/4	-0 1/4	5.87	
Sweden 5 1/2 % 92	100	100 1/4	100 1/4	0	5.79	
Swedish Airline 5 1/2 % 92	100	100 1/4	100 1/4	0	5.79	
Taiwan 5 1/2 % 92	100	100 1/4	100 1/4	0	5.85	
Tokyo Metropolitan 5 1/2 % 92	100	100 1/4	100 1/4	0	5.85	
United Air 5 1/2 % 92	80	99 1/4	99	-0	5.52	
United Air 5 1/2 % 92	80	99 1/4	99	-0	5.52	
World Star 5 1/2 % 92	100	101 1/2	101 1/4	-0 1/4	5.81	

As. price changes on day 10, on week -1/2

	second	bid	offer	Chg on day week	Yield
YEN STRATEGIES					
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SECTION III - INTERNATIONAL MARKETS

FINANCIAL TIMES

Tuesday February 22 1983

Aluminium prices
continue strong
upturn, Page 27

LONDON

Equities display resilience

OIL PRICE confusion and the resulting fall in sterling to its lowest level since October 1978 against the international basket of currencies made for uncertainty on the London Stock Exchange yesterday. Gilt-edged investors showed particular concern about the possibility of the exchange rate suffering.

Nervous selling out into the recent good gains in government stocks by a full point before a slight recovery developed towards the close. Potential buyers retreated with the result that the volume of business, which expanded on occasions last week, also turned down.

The £30-paid Exchequer 10% per cent 1987 A, which began life on Friday as a tap stock before official supplies ran out later that day, reacted to 29% prior to ending a net 1% down at 29 1/4. Equity markets started a new trading account cautiously, reflecting the extremely large amount of money tied up in a Superdrug Stores issue. Most blue chip and first-line industrials opened a shade easier but stubbornly refused, with the exception of oils, to give any fresh ground.

Selective investment demand took one or two stocks sharply higher.

The FT Industrial Ordinary share index, down 3.5 at the first calculation, recovered to close only a net 1.3 off at 644.6, quite resilient in the face of a 12p fall in BP to 312p and the dividend allowances of four constituents quoted ex yesterday.

Fears that Nigeria's cut of \$5.50 in the price of its top-quality crude might spark off an oil price war prompted nervous selling of the oils. Shell weakened 8p to 438p, Lashco 13p to 282p and Britoil 5p to 50p. Ultramar at 487p and Tricentrol at 162p fell 13p and 8p respectively.

Stores, a relatively static sector of late, welcomed the new account and selected counters displayed noteworthy gains. Favourable mention prompted an active trade in Woolworth, which attained a new peak of 233p before settling for a net gain of 14p at 230p. Habitat Mothercare, which last week announced an agreed offer for Heal and Son, advanced 8p more to 250p, while scattered support lifted perennial takeover favourite Debenhams 6p to 108p.

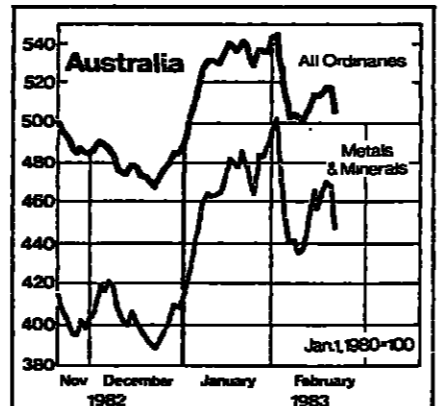
UDS, awaiting possible further overtures from the Bassishaw consortium, rose 2p to 117p, still 3p below the share-exchange offer from rival suitors Hanson Trust, unchanged at 182p.

The Australian mining market, which has tended to drift lower in nervous trading since the announcement of the March 5 federal election, was in full retreat following the resounding state win by Labor. After a sharp markdown throughout the list at the opening, ensuring selling as sizeable and the leaders

closed with losses often into double figures.

Western Mining, which last Monday announced a small loss for the half-year and a reduced interim dividend, bore the brunt of the selling and dropped 15p to 230p, while MIM Holdings fell 14p to 243p, Peko-Wallend 10p to 380p, and CRA 7p to 243p.

South African issues suffered from lack of interest in the absence of U.S. activity. Golds, firmer at the outset reflecting Johannesburg buying, encountered light selling from London and continental Europe during the afternoon but managed to retain modest overall gains. Share information service, Pages 28-29



AUSTRALIA

Labor win unnerves the mines

A STRONG win by the opposition Labor Party in Western Australia's state elections - foreshadowing a possible victory in the March 5 federal polling - unnerved Sydney stock investors yesterday, and steady price declines throughout the session left the All Ordinaries index 12.4 down at 504.8, all but completing the eradication of this year's gains.

Selling was heaviest in mining issues, with the Metals and Minerals index 20.3 weaker at 417.4, a 4.3 per cent slide compared with the overall 2.3 per cent.

Volume was a moderately active 17.31m shares worth A\$14.5m and declines overwhelmed advances 210 to 32 with 136 stocks traded but unchanged.

Western Mining slipped 27 cents to A\$3.65, MIM 22 cents to A\$3.93, North Broken Hill the same amount to A\$2.35, and BHP 20 cents to A\$6.34.

Uranium miners fell particularly sharply amid fears that a Labor government might move to ban exports to uranium oxide. ERA dropped 13 cents to A\$1.35 and Pancontinental 10 cents to A\$1.55.

Industrials held up somewhat better, with the sectoral index 7.2 points, or 1.1 per cent, off at 648.5. In otherwise weak retailers, Myer managed a two-cent improvement to A\$1.35.

SOUTH AFRICA

Gold easier

QUIET trading in Johannesburg left golds easier in line with the bullion price but industrials exhibiting a firmer bias.

Heavyweights had losses extending to R2 for Southvaal at R72.50 while of the cheaper producers Welkom shed 50 cents to R17.25. Vaal Reefs, part of the Anglo-American group, went ex-dividend with a R8.50 dip to R135.

De Beers lost 15 cents R8.50 but most other mining financials were unchanged.

Sasol, the oil-from-coal concern, finished steady at R4.25 after R4.35 after first-half results. Elsewhere SA Associated Newspapers gained a rand to R17 after a R1.75 advance on Friday.

CANADA

Sharp setback

OILS weakened dramatically from the outset in Toronto, and the alarm about world crude price levels spread to the broader market where sharp losses were abundant.

The oil and gas index plunged 118.32 to 2,766.18 while the composite index finished 33.8 lower at 2,103.2 as a hesitant mid-session rally petered out. Declines led advances 443 to 199 on moderate volume of 7.86m shares.

Setbacks in the sector included PanCanadian Petroleum, off C\$4 to C\$28; Dome Petroleum, 15 cents weaker at C\$3.70; Ram Petroleum, down C\$1 to C\$9; and a C\$1 dip by Gulf Canada at C\$13 1/2.

Industrials and banks showed weakness, albeit more restrained, in Montreal.

U.S. MARKETS were closed yesterday for the Washington's Birthday holiday. The FT's comprehensive New York and American stock exchange listings will reappear tomorrow.

FAR EAST

Down steep path of profit-taking

PROFIT-TAKERS made their presence felt in all the region's main markets yesterday, with an impact severest on leading quality issues, as nervousness over the downward velocity of world oil prices combined with a sense that the sustained recent rise in blue chip values was showing distinct signs of a pause.

In Tokyo, the Nikkei-Dow Jones market average, on a downward path since last Thursday, shed another 61.04 to finish at 7,987.21 - a three-day slide of 158.14. The stock exchange index relinquished 4.02 to 582.17 in moderate turnover of 350m shares.

Additional dampeners came from the absence of U.S. trading and the continuing high level of margin buying positions on the Japanese exchanges, dealers observed.

Prominent among the losses were computer manufacturers, vehicles, light electricals and precision. Hitachi and Fujitsu declined Y21 apiece to Y751 and Y895 respectively, Mitsubishi Electrical Y17 to Y343, Nippon Electrical Y19 to Y896, Honda Y23 to Y871 and Toyota Y24 to Y956.

Selling, although never frantic, reached its height late in the session after values had held up reasonably well in the morning. Steels and shipbuilders also suffered. Nippon Steel was off Y3 to Y147, Nippon Kokan Y8 to Y129 and Mitsubishi Heavy Industries Y10 to Y209.

Komatsu, the construction machinery-maker which later forecast a slight decline in profits for this year because of world economic and exchange rate uncertainties, lost Y10 to Y470.

Oils drew strength from the news of Nigeria's price cut but buying was described as half-hearted, with many investors remaining unconvinced that this trend would benefit the companies. Nippon Oil added Y10 to Y990 but Teikoku released earlier gains to end Y45 weaker at Y730.

The only clear beneficiaries were speculative mining issues and electric power concerns.

Government bond prices softened in the afternoon in a market expected to remain clouded by the pending February 10-year national issues, terms of which the Finance Ministry is trying to maintain in the face of higher secondary market yields.

Active but selective Singapore trading left prices somewhat lower and the Straits Times industrial index 7.76 off at 808.93. Hotels, properties and commodities all moved lower, as did cement issues, which had resisted pressures late last week. Malayan Cement fell 15 cents to S\$7.35, PMC and Jurong five cents each to S\$ 8.10 and S\$5 respectively.

In banks, DBS and OCBC, which announced prime rate cuts at the weekend, also showed similar five-cent declines to S\$8.10 and S\$8.20 respectively, but others in the sector held up.

A late rally in Hong Kong lifted leaders off their lows, and the Hang Seng index, as much as 18.17 down midway, ended with a 6.53 fall to 983.82. Hutchison Whampoa lost 20 cents to HK\$13.70 and Hang Seng Bank itself HK\$1 to HK\$55.

EUROPE

Softening in rates brings muted gains

SOFTER short-term interest rates gave a fillip to share prices in many centres yesterday, but the underlying mood remained far from universally confident, and outstanding gains in individual issues were often clipped by profit-taking towards the close.

Frankfurt, where call money hovered at around 5% per cent, or a half-point below the official Lombard rate, continued a surge established on Friday. The Commerzbank index of 60 leaders, which had jumped 16.3 that day, was a further 8.7 up at 796.6, its highest since March 12, 1979.

But the index, calculated at midday-

sion did not reflect later trading when volume and prices tailed off as professional operators judged that some stocks had topped out for the moment. The FAZ index nonetheless ended with a 2.75 advance at 285.21.

A year-on-year fall in January wholesale prices, the first since October, was another bullish factor.

Car manufacturers were in good demand, providing a DM 8 gain for Daimler-Benz at DM 414, and DM 5.50 for BMW at DM 289.50, but Volkswagen encountered the heaviest profit-taking. It finished DM 3 lower at DM 172.50 after DM 177.50.

Metals remained strong: Metallgesellschaft added DM 4 to DM 247 and Degussa DM 9 to DM 283.

Domestic bond prices moved up 60 basis points on average, with strength in public authority issues reflected in the ability of the Bundesbank to sell DM 67.1m in paper, against DM 10.4m worth on Friday.

Interest revived in Paris, attributed partly to the opening of a new monthly settlement account and partly to a 1/4 cut in the Bank of France's overnight money rate to 12% per cent.

Matra rose FF 30 to FF 1,182 on news of increased 1982 turnover for its parent. Similar announcements lifted Thomson-CSF FF 3.40 to FF 185.20 and Valeo FF 12.50 to FF 236.

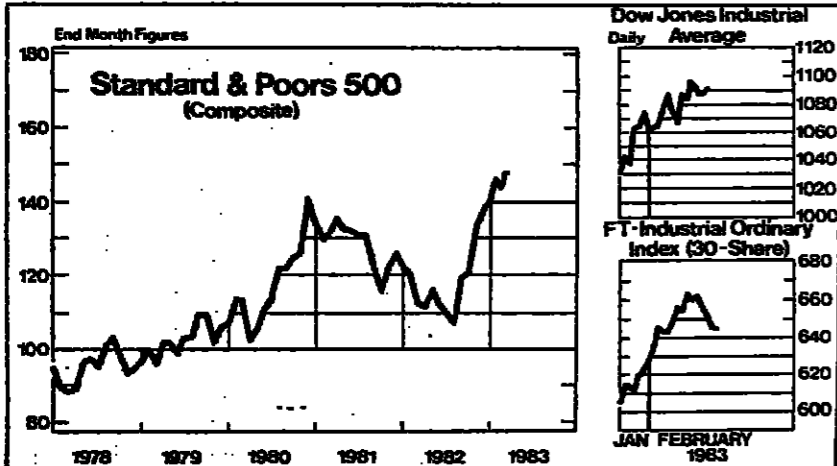
Banks, recently neglected in Zurich, this time led an active market. Bank Leu added Sfr 75 to the Sfr 4,000 mark, and Union Bank Sfr 40 to Sfr 3,230. Svizzera Italiana soared Sfr 100 to Sfr 3,200 on its higher results and proposed dividend increase, while Volksbank, which later reported a strong recovery from a poor 1981, firmed Sfr 15 to Sfr 1,270.

Domestic bonds moved within a narrow range to end steady in thin volume.

A firm Stockholm featured strong demand for Asea, up SKr 12 to SKr 482 ahead of its improved 1982 results. Milan resumed its upward trend led by the big industrials, Fiat added L1 to L2,361, Pirelli SpA L65 to L1,590 and Italcementi L710 to L39,310.

A lack of U.S. guidance meant a dull session both in Brussels, where Solvay firmed Bfr 10 to Bfr 2,300 but Petrofina slipped Bfr 20 to Bfr 4,890, and in Amsterdam, where Royal Dutch shed Fl 1.20 to Fl 99.60 while KLM added Fl 1.40 to Fl 155.70.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Feb 18	Feb 17	Year ago
DJ Industrials	1092.82	1088.91	824.3
DJ Transport	480.70	478.89	343.13
DJ Utilities	124.12	123.94	104.91
S&P Composite	148.00	147.44	113.22

LONDON

	Feb 21	Prev	Year ago
FT Ind Ord	644.6	645.9	568.2
FT-A All-share	405.33	406.53	327.98
FT-A 500	439.20	440.36	347.03
FT-A Ind	412.84	412.13	318.30
FT Gold mines	708.9	706.5	256.0
FT Govt sec	79.54	79.53	61.14

TOKYO

	Feb 21	Prev	Year ago
Nikkei-Dow	7987.27	8048.31	7713.31
Tokyo SE	582.17	586.19	570.87

AUSTRALIA

	Feb 21	Prev	Year ago
All Ord	504.8	517.2	506.5
Metals & Mins	447.4	487.7	368.3

AUSTRIA

	Feb 21	Prev	Year ago
Credit Aktien	48.92	48.77	54.65

BELGIUM

	Feb 21	Prev	Year ago
Belgen SE	106.31	106.46	97.21

CANADA

	Feb 21	Prev	Year ago
Composite	2103.2	2136.8	1652.8

MONTREAL

	Feb 21	Prev	Year ago
Industrials	359.59	365.25	290.54
Combined	348.92	354.04	274.98

DENMARK

	Feb 21	Prev	Year ago
Copenhagen SE	110.76	111.16	97.88

FRANCE

	Feb 21	Prev	Year ago
CAC Gen	105.50	104.8	110.4
Ind. Tendance	110.30	109.4	124.0

WEST GERMANY

	Feb 21	Prev	Year ago
FAZ-Aktien	265.21	262.46	228.01
Commerzbank	796.5	787.9	697.2

HONG KONG

	Feb 21	Prev	Year ago
Hang Seng	983.82	990.35	1280.92

ITALY

	Feb 21	Prev	Year ago
Banca Com	205.76	199.55	198.53

NETHERLANDS

	Feb 21	Prev	Year ago
ANP-CBS Gen	111.1	111.3	86.7
ANP-CBS Ind	97.2	97.2	68.8

NORWAY

	Feb 21	Prev	Year ago
Oslo SE	151.25	151.9	108.5

SINGAPORE

	Feb 21	Prev	Year ago
Straits Times	806.93	816.66	753.01

SOUTH AFRICA

	Feb 21	Prev	Year ago
Golds	951.5	968.5	498.1
Industrial	855.9	851.8	707.0

SPAIN

	Feb 21	Prev	Year ago
Madrid SE	closed	103.4	104.91

SWEDEN

	Feb 21	Prev	Year ago
J S P	1198.78	1195.49	603.74

SWITZERLAND

	Feb 21	Prev	Year ago
Swiss Bank Ind	310.3	310.3	244.1

GOLD (per ounce)

	Feb 21	Prev	Year ago
London	\$504.50	\$503.50	\$503.50
Frankfurt	\$504.97	\$503.00	\$503.00
Zurich	\$504.50	\$503.50	\$503.50
Paris	\$504.40	\$503.10	\$503.10
New York futures (Feb)	\$505.701	\$502.80	\$502.80

Y Friday levels. *Last pre-close

CURRENCIES

	Feb 21	Previous	Feb 21	Previous
U.S. DOLLAR	1.5340	1.5425	-	-
DM	2.3950	2.3990	3.66	3.70%
Yen	232.50	233.9	356%	361
Sfr	6.7825	6.8025	10.40%	10.49
SwFr	1.9930	1.9980	3.06	3.08%
Guil	2.6460	2.6500	4.06	4.09
Lira	1381%	1383%	2118%	2133%
Bfr	47.16	47.27	72.35	72.95
CS	1.2230	1.2242%	1.8765	1.8885

INTEREST RATES

	Feb 21	Prev
Euro-currencies (three month offered rate)		
£	11 1/8	11 1/8
Sfr	3	3
DM	5 1/8	5 1/8
FFr	24	24

FINANCIAL FUTURES

	Latest	High	Low	Prev
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CHICAGO

	Latest	High	Low	Prev
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U.S. Treasury Bonds (CBT)

	Latest	High	Low	Prev
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U.S. Treasury Bills (TBM)

	Latest	High	Low	Prev
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U.S. 3-month CDs

	Latest	High	Low	Prev
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U.S. 3-month T-bills

	Latest	High	Low	Prev
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LONDON

	Latest	High	Low	Prev
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Three-month Eurodollar

	Latest	High	Low	Prev
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20-year National GNR

	Latest	High	Low	Prev
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Three-month Sterling Deposit

	Latest	High	Low	Prev
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LONDON COMMODITY MARKETS

	Feb 21	Prev
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Silver (spot toling)

	Feb 21	Prev
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Copper (cash)

	Feb 21	Prev
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Coffee (March)

	Feb 21	Prev
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Oil (spot Arabian light)

	Feb 21	Prev
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West

Our correspondent looks at the success
of the growing market for chicken

French grain but officials said no decision on this had been

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

TRADED OPTIONS

EUROPEAN OPTIONS EXCHANGE

Series Vol. May Last Vol. Aug. Last Vol. Nov. Last Stock

GOLD C	\$475	10	80			2	82	F505
GOLD C	\$490	31	38.80	2	57.50			
GOLD C	\$500	69	17 A	21	38			
GOLD P	\$450	23	5	22	11			
GOLD P	\$475	31	19	24.50				
GOLD P	\$500	143	19	50	80			
GOLD P	\$520			4	54			

1C's NL 31 87 91

C F.140				60	2.10			F.134.40
P F.140						200	8.50	

11A's NL 82 88 92

C F.117.50	20	1.30						F.116.80
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10 NL 82 86 99

C F.110	31	2.60						F.111.80
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71's NL 82 89 93

C F.102.50	201	0.70						F.101.20
P F.102.50	254	2.30						

ADM C	F.420	5	21					F.418.50
ADM C	F.450	145	10	107	12.10			
ADM P	F.460	80	2.50					
AKZO C	F.460	40	19.50					F.454.70
AKZO C	F.520	20	11.20	5	11.30			
AKZO C	F.535	31						
APZ C	F.420	109	4.70	12	3.50	19	6	
AKZO C	F.525	113	2.20	96	4.70	89	4.50	
AKZO C	F.540	10	1.50	12	2.50			
AKZO P	F.435	25	0.40	2	0.90			
AKZO P	F.440	84	1.90	7	2.10			
AARCO C	F.46	10	7			25	4.50	F.45
AMRO C	F.50	71	1.50	51	2	10	8	
AMRO P	F.40	81	1.30	10	7			
AMRO P	F.45	44	2.50	5	4.20	1	5.50	

GIST C	F.130	7	7	11	8 A	1	6.50	F.141.70
GIST C	F.130	1	0.90	10	4	1		F.115.80
HEIN C	F.120	15	4.90	1	10.50			
HEIN C	F.110	33	2.40	10	5			
MOOG C	F.115	32	4.70	7	4.50 B			F.115.30
MOOG C	F.105	106	2.80	150	3.30			
MOOG C	F.120	82	1.50	45	2.40			
MOOG C	F.115	20	0.80	23	1.20			
KLM C	F.160	3	29					F.115.70
KLM C	F.160	33	9.80 B	1	15.10	6	16.80	
KLM P	F.140			28	1.10			
KLM P	F.110	33	1					
KLM P	F.180	31	2.70 B	4	7.70			
KLM P	F.140	27						
KLM P	F.120	13	9			9	14	
KLM P	F.160	10	15					
NEDL C	F.105	403	4	100	5.50			F.95.50
NEDL C	F.90	16	3.30	5	6.70			
NATN C	F.130	15	6.20	4	4.80			F.133.50
NATN C	F.125	12	11					
PHIL C	F.27.50	23	8.40	29	8.40			F.55.80
PHIL C	F.30	158	6	36	6.20	14	6.90	
PHIL C	F.32.50	165	3.90	72	4.80	40	5.10	
PHIL C	F.35	121	2.30	56	3.30			
PHIL C	F.40	183	1.80	853	1.60	55	2.65	
PHIL C	F.30	90	0.50	7	0.50	2	0.80	
PHIL P	F.55.50	5	0.60 A	22	1	43	1.60	
PHIL P	F.35	77	1.40	14	2.80	50	2.90	
PHIL P	F.30	3	3.2					F.26.80
RD C	F.90	26	10.50 B	35	12			F.100
RD C	F.100	412	4.90	103	6	10	7.50	
RD C	F.110	83	2.80	46	2.80	53	4.30	
RD P	F.90	69	0.90	6	2.20	8		
UNIL C	F.160	49	4	19	5.50	10	8.80	
UNIL C	F.160	118	2.80	32	4.50			BF.194
UNIL P	F.190	43	5	5	10	2	12.50	
May Aug. Sept.								
BASE C	DM.130	45	7.50					DM.129
SIEM C	DM.130	85						DZ75.80
SIEM C	DM.260	19	17 A	38	23.50			
SIEM C	DM.280	12	10	2	14	1	16	
SIEM C	DM.150	2	28					
VW C	DM.170	4	10	2	15			DM.172
TOTAL VOLUME IN CONTRACTS 17,816								
A = Asked B = Bid C = Call P = Put								

LONDON TRADED OPTIONS

Option CALLS PUTS

Option	April	July	Oct.	April	July	Oct.
BP (USP 312)	260 60	—	—	2 6	—	—
"	280 40	—	—	2 6	—	—
"	300 32	3	—	40 17	18	24
"	350 7	16	19	60 60	68	44
"	360 5	7	—	—	—	—
DOF (USP 542)	350 157	169	—	1 1/2	2	—
"	420 127	132	—	3 3	—	—
"	460 87	95	—	27 14	—	—
"	500 30	47	82	20 27	24	54
"	550 30	52	52	35 47	47	80
"	600 15	25	32	77 84	87	—
OTD (USP 88)	70 20	22	24	1 1/2	2 1/2	2 1/2
"	80 10 1/2	15	15	2 1/2	4	6
"	90 3 1/2	8	10	3 1/2	5	6
CUA (USP 185)	120 16	17	—	4 5	—	—
"	130 9	12	16	10 11	12	18
"	140 8	7	11	19 20	28	31
"	160 1 1/2	3	4	27 35	38	—
GEC (USP 206)	180 22	38	44	2 6	8	—
"	190 19	24	30	—	14	23
"	200 21	9	17	24 28	—	—
"	210 15	16	24	24 28	—	—
"	230 56	—	56	40 40	—	—
"	240 2	4	—	56 56	—	—
GMW (USP 361)	260 105	—	—	1 3	—	—
"	280 85	99	—	2 6	—	—
"	300 65	70	—	2 6	—	—
"	350 87	45	51	2 8	13	23
"	360 20	27	35	15 19	25	—
"	390 8	14	20	38 37	42	—
ICI (USP 378)	260 122	—	—	2 2	—	—
"	280 102	—	—	2 2	—	—
"	300 82	92	—	2 2	—	—
"	350 52	62	52	10 16	20	—
"	360 16	26	36	20 27	38	—
"	420 7	18	19	45 56	58	—
LS (USP 500)	240 66	—	—	2 2	—	—
"	260 46	53	59	2 4	7	—
"	280 37	56	62	2 4	12	—
"	300 17	23	32	12 15	19	—
"	330 5	13	17	30 34	37	—
M & S (USP 502)	160 47	—	—	1 1/2	—	—
"	180 28	34	36	4 6	8	—
"	200 16	20	27	8 13	16	—
"	220 7	11	16	25 28	28	—
"	240 2 1/2	5	8	41 44	—	—

Option	CALLS	PUTS				
Option	Apr. Jul. Oct. Apr. Jul. Oct.	Apr. Jul. Oct.				
SIL (USP 438)	360 56	—	—	—	—	—
"	380 54	60	66	14	6	12
"	400 26	58	64	14	90	34
"	450 8	16	22	26	40	44
Option	CALLS	PUTS				
Option	May Aug. Nov. May Aug. Nov.	May Aug. Nov.				
SIL (USP 438)	360 50	85	—	2 7	—	—
"	380 50	85	—	2 7	—	—
"	430 27	32	47	30 29	55	—
"	460 14	20	27	48 63	63	—
IMP (USP 114)	90 28	—	—	1 1	—	—
"	100 18	—	—	1 1	—	—
"	110 11	16	—	4 5	—	—
"	120 7	11	14	9 12	13	—
"	130 4	6	8	17 19	21	—
LMO (USP 264)	360 30	44	52	16 20	40	—
"	380 28	42	40	18 20	40	—
"	400 12	18	22	42 50	58	—
"	450 8	12	—	77 82	—	—
"	500 3	—	—	100 100	—	—
"	590 2	—	—	140 140	—	—
LNR (USP 84)	80 9	12	14	5 1/2	5	6
"	80 4 1/2	7	8 1/2	9 11	12	—
"	100 1 1/2	4	5 1/2	15 18	20	—
P & O (USP 124)	100 26	28	—	2 4	—	—
"	110 26	28	—	2 4	—	—
"	120 12	14	14	6 12	15	—
"	130 6	8	11	12 13 1/2	19	—
"	140 1	—	—	20 22	—	—
"	160 1	—	—	27 27	—	—
ROL (USP 464)	480 45	45	58	22 30	37	—
"	500 38	20	45	47 58	68	—
"	550 8	8	—	80 80	—	—
"	600 3	—	—	137 142	—	—
"	650 2	—	—	187 187	—	—
RTZ (USP 628)	280 142	112	—	1 2	—	—
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VRF (USP 184)	50 50	—	—	1 1	—	—
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"	67 50	—	—	1 1	—	—
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"	130 15	18 1/2	—	3 4	—	—
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FOREIGN EXCHANGES

Sterling weak on oil news

The dollar weakened in early foreign exchange trading as Eurodollar interest rates eased. But the market was very quiet with U.S. centres closed for Washington's birthday, and the U.S. currency showed little movement throughout the rest of the day.

Sterling was the centre of attention, falling sharply on the news that Nigeria had reduced its oil price by \$5.50 a barrel. The pound's trade-weighted index was at its lowest since October 1978, reflecting significant falls against major currencies, particularly those of the large oil importers such as West Germany and Japan. Sterling's downward drift against the dollar was in very thin trading, with dealers unsure about central bank intervention.

EXCHANGE—Trade-weighted index (Bank of England) 118.1 against 120.2 six months ago. The dollar still shows a small rise on the year because U.S. interest rates have not fallen as expected. High Federal Reserve requirements have also kept rates firm, while recent indications of a more accommodative monetary policy from the Fed have so far had little effect on the exchange rate. The dollar fell to DM 2.350 from DM 2.390 against the D-Mark; to

FFr 6.7825 from FFr 6.8025 against the French franc; to Sfr 1.9930 from Sfr 1.9980 in terms of the Swiss franc; and to Y232.50 from Y233.90 against the Japanese yen.

STERLING—Trading range against the dollar in 1982-83 is 1.9285 to 1.6150, January average 1.5733. Trade-weighted index 80.2 against 80.3 at noon, 80.2 at the opening, 80.2 at Friday's close, and 81.9 six months ago. Sterling has ceased to decline at the rate seen in January and November, but is still very weak and vulnerable. Factors suggested as causing the decline include fears over lower oil prices and uncertainty about an early general election. Falling inflation, a decreasing budget deficit and one of the largest trade surpluses of any major industrialised nation appear to have been

ignored for the time being. Sterling was at its high of \$1.5415-1.5425 in early trading, but was fairly steady at just below \$1.54 for most of the day, before falling to a low of \$1.5320-1.5330 in the afternoon. It closed at \$1.5335-1.5345, a fall of 85 points on the day. The pound fell to DM 3.6750 from DM 3.7025; to FFr 10.4025 from FFr 10.4350; to Sfr 3.06 from Sfr 3.0850; and to Y236.75 from Y237.61.

D-MARK—Trading range against the dollar in 1982-83 is 2.3940 to 2.2410, January average 2.3500. Trade-weighted index 128.7 against 125.4 six months ago. The D-mark has been unsettled in the run-up to a March election. Favourable trade figures and little hope of a cut in rates before March have helped to underpin the

currency however, and sentiment has improved recently on the weakening of the dollar.

The D-mark showed mixed changes at the Frankfurt closing, but improved against the dollar, sterling and the Swiss franc. The Bundesbank did not intervene when the dollar was fixed at DM 3.3628, compared with DM 2.4045 against Sterling. Sterling fell sharply to DM 3.6840 from DM 3.7140, but the French franc rose to DM 35.27 from 100 francs from DM 35.2550.

JAPANESE YEN—Trading range against the dollar in 1982-1983 is 277.25 to 219.00, January average 249.27. Trade-weighted index 145.3 against 132.1 six months ago. The yen has improved against the dollar, partly on the attraction of Japanese capital and equity markets. High foreign interest rates had previously led to an outflow of funds.

The yen gained ground against the dollar in quiet trading. The U.S. currency fell to Y232.60 from Y233.77, after touching a low of Y232.50 on news of a cut in Nigerian oil prices. Japan does not buy oil from Nigeria but the prospect of price reductions by other members of Opec helped the yen, after the dollar had opened at the day's high of Y233.70.

Other currencies

Other currencies

Other currencies

Other currencies

Other currencies

Other currencies

FINANCIAL FUTURES

Pound dominates

Movements of sterling on the foreign exchange dominated quiet trading on the London International Financial Futures Exchange. The March gilt price opened at 102.04, compared with 102.22 at Friday's close, and fell to a low of 101.18, following the announcement that Nigeria intends to cut the price of its crude oil by \$5.50 a barrel. The prospect of an oil price war and downward spiralling prices led to nervous trading in both the cash and futures markets, although traders were generally pleased that the pound stabilised at around \$1.54 for most of the day. The further decline of sterling in the late afternoon came after Life had finished trading, however, and may be reflected in today's opening levels. Yesterday's closing price for March delivery was 101.23.

Other currencies

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CURRENCY MOVEMENTS

CURRENCY RATES

Currency movements

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WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on February 21 1983. In some cases the rate is a nominal rate, and in others it is a market rate.

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SECTION IV FINANCIAL TIMES SURVEY

Tuesday February 22, 1983

Qatar

Ready to ride out the oil problems

By Patrick Cockburn

FROM THE top of the glistening white pyramid-shaped hotel which stands on one tip of the blue bay around which the capital Doha is built, it is possible to see the houses of most of the Qatari population.

There are only some 70,000 citizens of Qatar and the tiny size of the state determines the political and economic life of the country.

Away from Doha, the country is an arid wasteland whose 4,000 square miles were inhabited by only 25,000 people when the first oil exports started in 1949. In the years since, it has remained a small producer compared to most members of the Organisation of Petroleum Exporting Countries, but with the highest per capita income.

This income should allow Qatar to ride out a fall in the oil price or a drop in the world demand for its crude. Its needs are less and its resources more than most other oil states.

The cuts in expenditure of a few months ago are more a measure of the traditional caution of Sheikh Khalifa bin Hamad al Thani, the Amir of Qatar, than any real financial need.

Caution is the motif of almost everything that Qatar does, as it likes to keep an extremely low profile.

Only 120 miles from the northern tip of the Qatar peninsula lies the Iranian coast and Qatar has shared the growing apprehension of its oil-producing neighbours in the four years

since the Shah was overthrown by Ayatollah Khomeini. These fears redoubled with the outbreak of the Iran-Iraq war.

Qatar is too small to do much about this and normally likes to act in concert with its Gulf neighbours, grouped in the Gulf Co-operation Council (GCC). Its policies seldom diverge from those of Saudi Arabia. Along with the Kingdom, Kuwait and the United Arab Emirates, Qatar pays a subsidy to Iraq, the size of which may feel increasingly onerous as the war continues and oil revenues come down.

Placid

But even these concerns can be exaggerated—"in so far as the Qataris worry about anything, they worry about Iran," notes one diplomat. But this anxiety is intermittent. The placid atmosphere of Doha is seldom disturbed though the attempted coup in Bahrain in December, 1981, and the recapture of the city of Khormashahr by the Iranians last year, were clearly unwelcome news.

The formation of the Gulf Co-operation Council linking Qatar to Saudi Arabia, Kuwait, Bahrain, United Arab Emirates and Oman is an ideal instrument for Qatari policy. Alone, the country's influence is limited by its size. Payment of subsidies and aid is one of the few ways in which Qatar can hope to exert leverage on its neighbours and it has always

been a heavy contributor to pan-Arab schemes.

The GCC also increases the defensive capability of the smaller oil states. Qatar's own spending on defence rose to \$900m in 1981, the highest per capita military expenditure in the world, according to the International Institute for Strategic Studies.

Most of these armaments have been purchased from Britain and France to which Qatar is more closely linked than it is to the U.S.

Yet the Iranian revolution has proved less of a threat to Qatar than some of its neighbours. The 70,000 nationals are a homogeneous group and the ruling al Thani family is believed to have some 3,000 male members and thus form a significant part of the population. They occupy most of the strategic positions within the power structure, but wealth has been spread around within the Qatari community.

The Amir has also remained very much in control of all aspects of political and economic life. It is reputed that all government cheques above a certain value are signed by him. This gives a cohesion and a direction to policy greater than in other oil states.

Aside from concern over Iran and Israel's invasion of Lebanon last year little outside their borders appears to concern the Qataris. There is, however, a long tradition of tension between Qatar and Bahrain which was one reason why Qatar did

not join a broader Gulf federation which Britain sought to promote before leaving the area a little over 10 years ago.

The latest example of this tension came last year when the issue of the ownership of Hawar Island, on Qatar's eastern coast, resurfaced and led to some verbal sniping between the two states. Saudi Arabia is now mediating and tension seems to have eased, but a certain latent hostility remains.

Worried

The Government in Doha is clearly worried at the long-term weakness in the oil market, but in reality this is much less ominous for Qatar than it is for many other members of the Organisation of Petroleum Exporting Countries. Its financial reserves are still high for its size. It has traditionally underspent and in the past its budget allocations have been heavily underspent.

The drop in oil demand is also less serious for Qatar because it has reacted less enthusiastically to increased oil revenues after 1973 than it did in the mid-1970s. At that time the surge in oil prices led to hectic construction in Doha, congestion in the port and heavy inflation which was only brought under control in 1977.

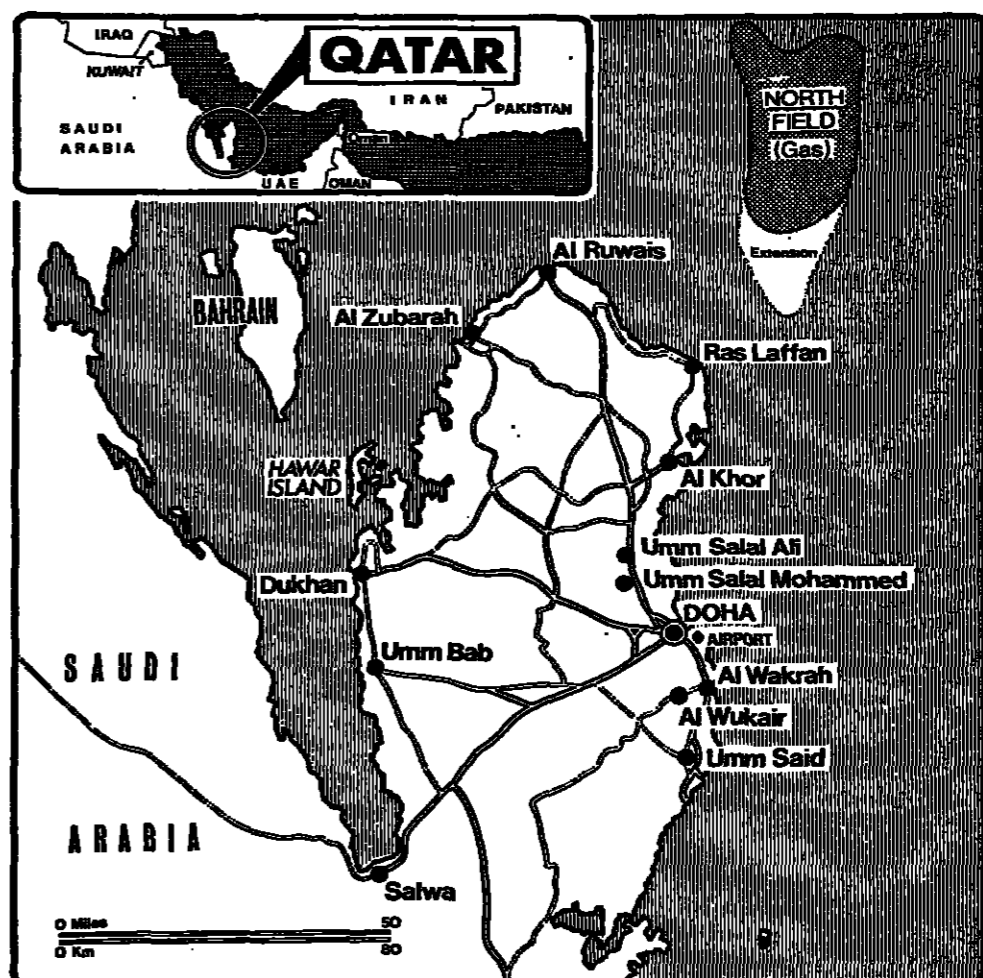
The rise in oil prices, sparked off by the Iranian revolution, has been much more cautiously treated. In 1980 and 1981, oil revenues peaked at about \$5.5bn, before sinking to about \$3.5bn last year.

At the same time, oil production has been brought down to below the 300,000 barrels a day mark — Qatar's quota decided by the Opec meeting in Vienna last April. In the late 1970s, Qatar was producing 500,000 b/d and today the Government would clearly prefer a production level nearer the 400,000 b/d.

But the most significant question in Qatar today concerns gas not oil. For several years the Government has been trying to decide what it should do about its massive gas reserves in the offshore North Field. A full scale development looks less and less attractive because of the weakness of the world gas market. The investment needed might also strain even Qatar's financial reserves.

A more measured development of Qatar's gas resources now looks more likely. It would also be in keeping with the way in which Qatar is run for the Government to avoid anything which would have a radical impact on the economic status quo. There is also concern about the small proportion of the workforce which is Qatari though this is by no means out of line with the rest of the Gulf.

Eventually, some time over the next three decades, Qatar will need to exploit North Field as its oil reserves diminish, but that is hardly necessary for the moment. It seems likely that Qatar will wait until gas market conditions are more propitious.



The Amir, Sheikh Khalifa bin Hamad al Thani

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QATAR II

April Budget holds key to expenditure

THE FALL in oil revenues as a permanent feature of economic life has come as a shock to Qatar as to most of the Organisation of Petroleum Exporting Countries, though the practical consequence of the drop will be very limited for most Qataris.

Everybody is now looking to next April's budget to see the Government's plans on future expenditure. In the medium term much depends on the pace at which Qatar decides to develop its gas reserves, but few now expect full-scale exploitation of North Field.

Oil production has now dropped to below the 300,000 barrels a day quota agreed by Opec in Vienna last April. In

January it was down to 280,000 b/d or only a little above half the production rate of 1978-80. This is clearly less than Qatar would like and it has exacerbated the problem of supplying industries at Umm Said with gas.

It has also led to a fall in revenues from about \$5.5bn in 1980 and 1981 to an estimated \$3.5bn last year and probably a further decline this year. The Government has tended to react to the fall in oil income by delaying payments and postponing projects. These are of modest dimensions and, aside from the endlessly-discussed North Field gas scheme, development over the next few

years is likely to proceed at a sedate pace.

This has been official policy since the 1974-77 boom ended. In 1977 many schemes were rescheduled or dropped and, as now, payment by the Government was delayed. The managing director of one company said: "Right through the contracting business people are not being paid and advance payments are difficult to get."

A banker adds: "If the palace doesn't sign cheques, there is no money coming into the system."

But these problems are very minor compared to most of Opec. Though Qatar's reserves are not in the same league as

BREAK-DOWN OF CREDIT FACILITIES
(as at June 30 1982)

	QR 000's
Government and government agencies	553,599
Housing and construction	889,326
Industry	147,937
Agriculture	3,240
Personal	673,097
Bank and financial	24,796
Transport	105,096
Merchandise	2,532,545
Professionals	90,358
Other	203,472
Total	5,294,642

Source: Qatar Monetary Agency.

start even limited exploitation of the huge gas reserves. "Anybody would be crazy to take business decisions on the basis that North Field will go ahead," said one local businessman. Others are more optimistic, but even if a decision to undertake some gas projects is taken, this will not necessarily lead to a big boom in Qatar.

But the key to Qatar's economy remains the price and volume of its oil exports. The reduction in oil production to below 300,000 b/d is uncomfortable and may limit the pace of development. It will also, of course, in the long run have the benefit of prolonging the life of Qatar's oil reserves.

Modest

The 1978-79 oil price rises in Qatar led to none of the hectic boom conditions seen in the country immediately after 1974. Government spending received only a modest boost as oil prices began to go up again at the start of the Iranian revolution. This in turn has ensured that the weakness of oil demand in the world will have little effect on Qatar.

There are those in Doha who now argue that the moment to develop North Field was two or three years ago, when the price of gas was steadier and the main potential consumers in Japan and Europe had not decided the source of their future supply.

Even in retrospect, however, it is difficult to believe that such a massive development at that time would have been of much benefit to Qatar. Instead, the Government now seems to be hesitating at a more modest one.

Patrick Cockburn



The Ministry of Foreign Affairs. The defence and aid budgets have increased with Gulf tensions

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Saudi Arabia's or Kuwait's they are thought to total some \$8-9bn. The current restrictions on spending have more to do with the palace's dislike of overhauling current spending exceed income.

The last budget, covering the 18 months up to April, cut expenditure by 7 per cent. This has less impact on the economy than might first appear since, in the past, Qatar's budget has been drastically underspent. In 1981, for instance, less than half the \$2.8bn allocated was actually spent. The budget in any case excluded defence and aid, both of which have clearly much increased as tensions in the Gulf rose with the Iranian revolution and the outbreak of the Iran-Iraq war.

Bumpy roads

Qatar also differs from a number of its Gulf neighbours in that there is much infrastructure still to be built. There are many more bumpy roads than in Dubai or Kuwait. "There is a lot of secondary infrastructure still to be installed," says the manager of a trading and contracting company. "There are also the government ministries, West Bay, the diplomatic quarter and the university." On a larger scale is the \$750m power station and desalination plant, for the first stage of which tendering is now going on.

In addition, private investment is going into villa and housing construction at the top end of the market but it is difficult to assess if the ambitious rents demanded are actually received. Lower down the scale there is a housing shortage. The Public Works Ministry recently announced that it was building 1,500 three bedroomed houses for low income Qatari families that will receive financing from the Government.

For housing as much as the television sets heaped high at give away prices in the south, Qatar is a very rich but limited market. The population is only 270,000 of whom only 70,000 are Qataris. Labourers from the Indian subcontinent

have limited purchasing power. The better off expatriates in managerial jobs "are out here to save money and they expect value for it."

Qataris themselves, as with citizens elsewhere in the Gulf, make many of their most expensive purchases during their lengthy holidays in Europe. Viewing the consumer market, one diplomat believes that "the point of saturation has not been reached but it will be within 12 months as it already has been in consumer electronics."

Overall imports have climbed rapidly since 1981 when they totalled Qr 7.1bn, up from Qr 6.5bn the year before. Japan remains the main supplier with the British in second place. Qatar has never been quite as competitive a market as Dubai, but in the next few years local companies are expected to play a part in its development to be somewhat above the average for Gulf states.

It is not clear how far this picture of steady growth will be modified by a decision to

IN 1982 Qatar's bankers and officials from the central Monetary Agency have been indulging in polite but barbed public discussions about the local real estate market. The problem which has plagued the banking community in the country almost since independence. That problem is the rate of interest allowed in Qatar.

In an effort to avoid the kind of inflation which has plagued the Gulf, Qatar has long restricted lending rates to 9.5 per cent and interest on deposits to 7.5 per cent.

It is hardly surprising, therefore that over the last two years considerable sums of money have flowed out of the country, attracted by high interest rates available elsewhere on the dollar. Bankers say the outflow has eased somewhat over the past few months but it appears that a large part of the earlier outflow has remained outside the country. Very little has returned, even though the gap in interest rates has narrowed.

The interest rate system has placed all kinds of strains on both the economy and the banking sector. The Qatar Monetary Agency (QMA) accuses the banks of depriving the private sector of much needed credit while the bankers say they are not responsible for the high interest rates abroad or their customers' desire to take advantage of them. But coupled with restraints on expenditure from the Government the result has meant a further tightening of credit all round.

The effects can be seen in many ways. Over the last two years savings and time deposits from the private sector in local currency fell from QR 2bn in 1980 to QR 1.7bn in 1981, a drop of 12.6 per cent. Last year this trend continued, with a further decrease of 3 per cent.

In contrast, foreign currency deposits shot up from QR 983m in 1980 to QR 2.3bn in the following year to a total last November of QR 3.1bn. This represents growth of 124 per cent and 52 per cent respectively. Foreign currency deposits made 41 per cent of total private deposits. Furthermore, there was some QR 2.3bn due from banks abroad and another QR 1.9bn due from bank branches overseas.

Naturally, such trends curtailed the growth in bank credit to the private sector. Credit grew 13.2 per cent from the end of 1981 to November last year from QR 4.5bn to QR 5.1bn in November last. This compares with a 22 per cent increase during 1980.

The search for relief from the low local interest system led many banks in Doha to use the "Thursday money" technique. Money is placed outside at the close of business on the Muslim weekend and comes back at the start of business in Europe.

Many banks say they are well extended on their loan portfolios, running at 85 and 90 per cent, with some saying that in the past ratios were running on occasion at 100 per cent. This led to tightening up measures which occurred at a time when Government payments to contractors were being slowed.

A number of managers around town express concern about their ability to cope with any boom in business which might result from the go-ahead being given to the North Field gas project. Even officials at the QMA say that unless the Government pumps money into the market "everything will become more complicated."

Both sides are pinning their

hopes on a promising budget institution, and within the next Wusail power plant. Qatar's largest project to date, will generate some inflow into the economy, though its effect is unlikely to be felt until the beginning of 1984.

There appears to be very little sign of relief from the QMA itself. A plan to institute swap facilities and other measures is still under study. Officials say they want to introduce also some legal reserve and capital requirements as part of the package but until such time as the banking situation eases, they feel such measures should be held over to better times.

Another factor that may aggravate the already intense competition for business among banks is the possibility of another two banks entering the market. The Qatar Islamic Bank is likely to open its doors to the public this spring and by its very nature is likely to attract not only Government deposits but substantial accounts from the private sector also, particularly the interest-free deposits.

The other bank proposed for licensing is the Al Ahil bank, formed by a number of leading local businessmen and sheikhs. QMA officials suggest that it may be some time before this bank receives its licence. "There will be room for them in the future," said one senior official "assuming the financial situation improves."

It has always been the local banks which have been the recipients of Government money — the Qatar National Bank is still absorbing some 40 per cent of all deposits. The prospect of more entrants to this tiny market led even the most secure banks to suggest that this could lead to more competitive and perhaps unwise lending.

Perhaps the most dramatic event of the year was the closure of the International Finance Exchange (IFEC), formed by local sheikhs. The money exchange firm was reported to be dealing heavily in metals and commodities and last April was unable to meet its commitments. The company is now in liquidation and reported owing around \$30m, though this could not be officially confirmed. As the company was established under a code of limited liability its owners cannot be sued for personal bankruptcy.

Nevertheless, the whole incident has left a bad taste in the mouths of the commercial community. For some people on Doha the collapse of the exchange house, which was also found to be accepting deposits, was a disaster. One Asian nurse was said to have lost her entire life savings.

The demise of IFEC had posed questions also about the potential success of bankruptcy cases against prominent personalities in Doha.

When IFEC went into liquidation, the QMA established new laws enabling their officials to monitor the activities of the exchange houses, which had previously been licensed for operation by the Economy and Trade Ministry. The result of these inspections over the 20-odd exchange houses was that two other companies came under control.

The Arabian Finance company is now said to be attempting to reschedule its debts and has already paid a remarkable portion," says the QMA. Its management has been taken over by the Central Bank of

India, a commercial banking institution, and within the next year or so the situation of the company will be on the way to repair.

The other company, Middle East Finance, is said to have the worst problem following its losses in foreign exchange dealings. A number of foreign banks are attempting to take legal proceedings against the owner in Qatar but local businessmen say that such a task may be difficult.

With regard to prospects in 1983 many bankers believe things could be tight unless more funds are injected into the system by the Government for under 5 per cent of total deposits, which amounted last November to QR 7.7bn.

Bahrain offshore banks provide

the relief. Several local companies committed on the vital role the offshore banking unit play in riyal funding to them. However, if the go-ahead is given on the North Field project and the interest system remains the same, the banks will find the demand for credit increasing at a time when credit is already squeezed. This could provide a wealth of opportunities to banks based outside Qatar.

At the moment very little of the Government's funds flow into the local system and those that do are highly volatile. Government deposits account for under 5 per cent of total deposits, which amounted last November to QR 7.7bn.

Kathleen Evans

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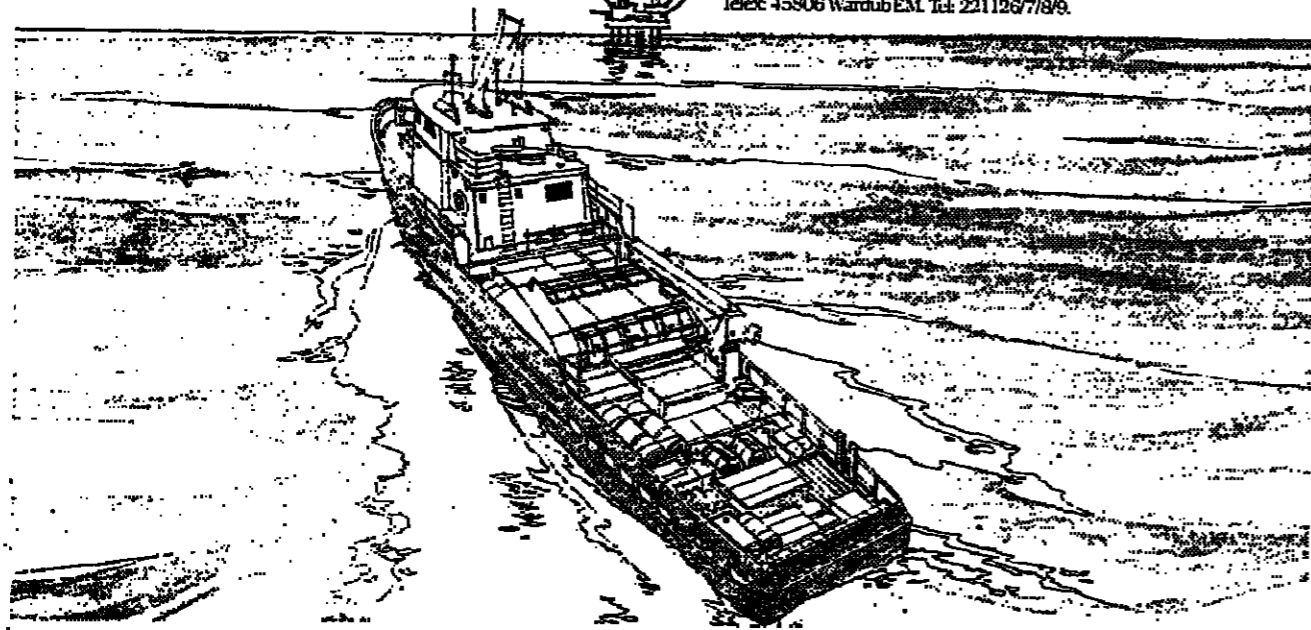
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QATAR III

Doha is hungry for business but the downturn in government spending is having a serious effect

Traders gloomy about the home market

QATAR'S LATEST showpiece is undoubtedly the Doha Sheraton. Billed as the world's most expensive hotel to construct (about \$440,000 a room), it sits in isolated splendour in the new West Bay area which has been earmarked as Doha's up-market residential area. In many ways this marble monolith seems rather irrelevant to this former Arabian fishing village by the sea, even allowing for the oil wealth.

Like all else in Doha it is hungry for business. Walking through the acres upon acres of carpeted air-conditioned emptiness, the hotel's Egyptian-born manager bemoaned his 42 per cent occupancy rate. "I wish we had something like this in Cairo," he said wistfully.

The hotel is truly staggering. The main convention room which seats over 700 people is equipped with TV transmission facilities, endless Press rooms and interpreters' galleries, all of which were only used three times last year. "Well, we have the Gulf Co-operation Council (GCC) summit coming up next November," said the manager with forced cheerfulness as he led me through the unpeopled empty VIP room.

The GCC is going to provide more than hotel visitors in the next few years, however. Under the terms of resolutions passed by the last Bahrain summit, GCC nationals will be able to start businesses in any member state without the need of a local partner. But like many of the GCC resolutions the implementation of this new rule has been put off for another five years. Nevertheless, it will provide one of the greatest challenges the Qatari trading houses have ever had to face and already many fear an onslaught by the Kuwaitis and their money.

Qatari government officials say the one thing that may prevent that is the fact that Qatar is, after all, the smallest market of the GCC states. "Our market is limited and therefore might not be so attractive," says Kamel Saleh, commercial adviser to the Emir. He hopes that Gulf nationals looking at possible investment in Qatar will decide to take a local partner because real co-operation will bring real results.

Fortunately the GCC has put off the sticky question of land ownership. A group of experts is said to be studying possible resolutions to distinguish investments in property for personal and investment purposes. "The interests of every nation have

to be protected from speculation," says Saleh tactfully. The last thing the Qataris want is a disturbing influx of Gulf investors into an economy which has been so carefully nurtured and constrained by the Government over the last five years.

Qatari merchants are gloomy about prospects in their own home market and are pinning their hopes on a good budget in April this year. Many have already learnt to live without the bonanza expected from the development of the North Field, perhaps because the decision to go ahead has been awaited for so long. Ironically, that decision may be only a few months away, though no-one is stockpiling or making any other preparations in anticipation. "Even if they said yes tomorrow, it would be months before they started tendering on anything," said one businessman.

Records

Moreover, even though many trading houses complain about the level of business generated by the government and the downturn in expenditure, most of the major houses are notching up healthy growth records in sales and profits. Al Mana group report a 17.18 per cent jump in profit and a 20 per cent jump in sales. Kassem Darwish Fahroo says its turnover went up by 20 per cent last year. All companies in Doha, even the largest, depend on the Government for 40 per cent and more of their business. The downturn in oil revenues and the resulting slowdown in payments has hit the construction industry particularly hard. Some contractors report being up to seven months behind in receiving their payments from the Finance Ministry, though it is hard to assess just how much these delays are accountable to mere red tape or to a deliberate policy of slowdown.

What is also worrying some companies are the reports that advance payments in contracts will not be made in future. Government officials say only that such payments will not be automatic from now on and the terms for each project will be spelt out in the tender documents. This is likely to put even more pressure on the local banks who have been funding contractors while they wait for payments.

Like many other Gulf countries, Qatar has always chosen the cheapest bids on any project. Some of the bids put forward, particularly by local contractors, have been ridicu-

lously low. Many hoped that the Government would prove flexible on variable costs after awarding the contract.

However, Khalid al Khater, head of the Engineering Services Department, which oversees all contracts for the Government, said recently at a businessmen's luncheon that such practices would not be tolerated in future. If a local contractor accepted a job at a low price then the work would have to be completed at that price. Some of the bids being accepted by the Government were pitched at unworkable levels. A recent contract for a flyover was awarded to a local company at QR 80m, while other bids for the same job hovered between QR 50m and QR 80m.

British civil contractors appear to have all but given up in Doha, in the face of severe competition from Japanese and Korean companies. "The British companies are still naively looking for a profit on a job, whereas the Japanese and Koreans are just looking to survive," said one local businessman in explaining the great disparity between British prices and those of Asian contractors. This "naive" search for profit has caused at least three major British construction groups to leave Doha for good.

This year will see the start of one of Qatar's largest construction projects for a long time—the Wusail power and desalination plant, estimated to cost in the region of \$750m to \$1bn. So far Britain has no share in the project. In the distillation plant Weir Westgarth's bid was QR 893m, whereas the Hitachi Zosen price was QR 455m. On the steam turbines the British bid was one third more than the lowest. The irony is that all projects in Doha are written to British specifications.

The downturn in government spending has also slowed Qatar's imports and local officials are expecting that 1982's import statistics will show a decline for the first time in many years. Part of the blame for the downturn lies with the decline in Qatar's re-export trade to Iran, which was almost dried up because of the Gulf war. However, Doha has never functioned as the entrepot port as much as Dubai has and indeed Qatar imported some QR 135m of goods from the Emirates in 1981.

Britain's market share in the latest available figures is put at 18 per cent and although in second place to Japan the trade consists of a steady stream of

reliable consumer durables as well as equipment.

In 1981 imports from Britain totalled \$158m, which although small compared with other nearby Gulf markets is a considerable amount for a population of around 250,000 people in a country about the size of Yorkshire. Last year, between the period January to September, some \$188m of exports were recorded, representing a growth rate of 91 per cent over the previous year's figure of \$98.5m for the corresponding period. However, most of this growth can be accounted for by defence sales.

Local government officials point out that while Britain has consistently remained in second place in Qatar's import league, when invisibles such as tourism and medical expenditures of Qataris in London are taken into account, the amount would look much larger. After the UK in the imports list come the U.S., West Germany and France.

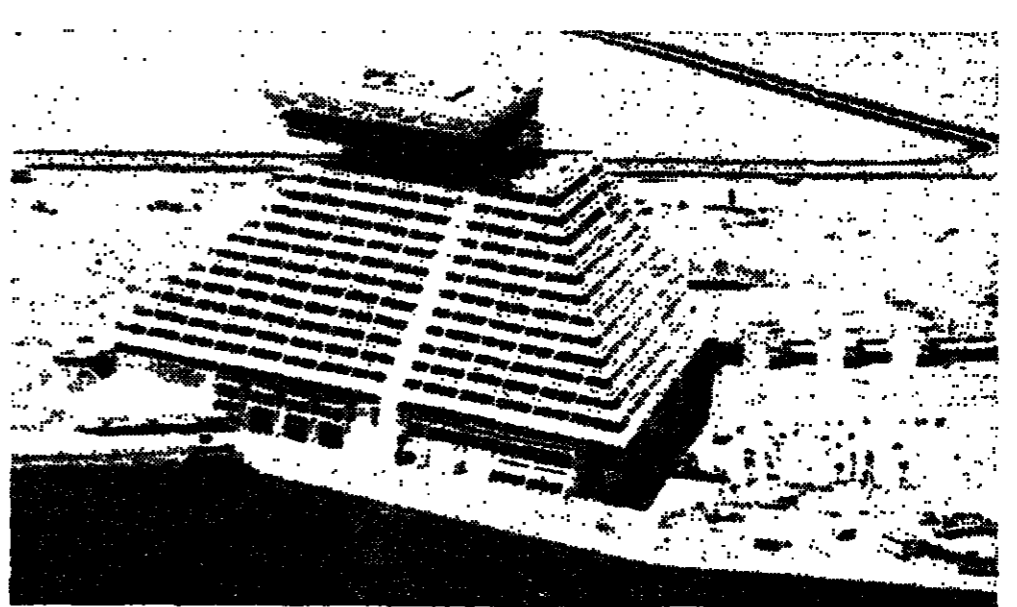
Doing any business in Qatar can be an extremely costly

affair. Although local companies say the accommodation squeeze will be somewhat eased over the next few months as new houses come on to the market, current rents are so astronomically high.

A four-bedroom villa suitable for a senior executive is going at about QR 18,000-QR 20,000 a month or nearly \$3,500. A leading bank manager in Qatar was recently offered a large villa renting at the price of a central London apartment—around \$90,000 a year. Even two-bedroom flats are currently renting at QR 6,500 or \$1,100 a month.

Visiting businessmen can expect to pay around \$60 a night in Qatar for a single room per night. This rate might go down soon though, for Doha's hotels are extremely anxious for custom. The homely Gulf Hotel is notching up occupancy rates of around 40 per cent. As for the others, local residents wonder why they were built at all.

Kathleen Evans



The Doha Sheraton. The country's showpiece, with its vast conference facilities, awaits an upsurge in the number of visitors

There is less enthusiasm about the continuing flow of cash to Baghdad

Foreign policy overshadowed by Gulf war

"QATAR IS always being overlooked because on many issues we don't have an independent policy of our own," noted a diplomat in Doha. Given the country's size there is little else that Qatar can do. Ideally they like to act through the six-member Gulf Cooperation Council or in concert with Saudi Arabia.

The Gulf has become a far more dangerous place for a small but rich state like Qatar since the overthrow of the Shah in Iran in 1979. In the north of the Gulf the Iran-Iraq war still continues, an ever-present threat to the rest of the area, and Qatar, together with Saudi Arabia, Kuwait and the United Arab Emirates, continues to subsidise Iraq.

The length of the war and the drop in Qatar's oil revenues has reduced enthusiasm for continuing the flow of cash to Baghdad but there is little Qatar can do about it. More, perhaps, than any other oil state its leverage is dependent on financial aid. While it would like an accommodation with Tehran this is likely to come,

if it comes at all, through Saudi Arabia or the GCC.

As elsewhere in the Gulf many Qataris listen to Iranian radio from Ahwaz which denounces the rulers of the western Gulf but this probably has less impact than in the UAE or Bahrain. Qatar's enormous wealth guarantees it against any significant domestic dissidence. Less than 10 per cent of Qataris are thought to be Shia and internal security seems to concentrate on the 15,000 Iranians.

Last summer a scuffle in the south in which an Iranian died led to a minor diplomatic tussle with Iran. The Iranian charge claimed the Iranian had been killed by the police while the Government believed he had died from a brain tumour. It offered to hand over the body to the Iranians for a post mortem but Iran said that it did not believe in post mortems on religious grounds and there the matter rested. Overall, however, Qatar is one of the more homogenous societies in the Gulf when the ruling is con-

sidered.

But for all its low profile Qatar is not immune to regional disputes. There is a long-running rivalry with Bahrain which occasionally surfaces, its most important expression being Bahrain's claim to the island of Hawar. Last March Bahrain named a naval vessel after Hawar while Qatar denounced the Bahraini claims. Saudi Arabia moved in to mediate but it is unclear what success.

Co-operation

The Hawar issue is important because it stands in the way of broader economic co-operation between the two states. Saudi Arabia is interested in a Gulf gas pipeline and it would be logical for part of Qatar's gas to fuel some of Bahrain's industry but this is unlikely to occur so long as the rival claims to Hawar island remain unsettled.

Despite the general tendency for Qatari foreign policy to mirror that of Saudi Arabia it does differ in its relationship

to the great powers. In trade and military supplies Qatar looks primarily to Britain and to France.

As a result Qatar is at a greater diplomatic distance from the U.S. than Saudi Arabia and this is reflected in the arms purchased or ordered over the past few years. It is unlikely that the postponement last month of the visit to Qatar by Mr Francis Pym, Britain's Foreign Secretary, as a result of the row over the Arab delegation visiting London will have much long-term impact on the British position.

The connection with France is more recent. Three Combatant vessels have been ordered from Construction Mecaniques de Normandie. These will carry Exocet missiles. Six Alpha jet trainers and 14 Mirage F1 fighters are also to be supplied. Qatar is also getting anti-aircraft missiles which will tie in with anti-aircraft systems of the other GCC members.

But these defences given Qatar's size and its small popu-

lation, are more in the nature of a trip wire to an Iranian attack—if it ever came—rather than a real deterrent. Qataris are being encouraged to join the armed forces but they inevitably depend for much of their manpower on expatriates. No less than 18 different nationalities are represented within the armed forces as a whole, which are estimated to total some 6,000 men. Another 2,000 are in the police.

Over the next year the prime concern of the Qataris will be the continuing Iran-Iraq war. There is little they can do about it but there remains a fear that the Iranians might comprehensively defeat Iraq. The fall of Khorramshahr last year created shock waves up and down the Gulf. Further away the Israeli invasion of Lebanon has continued to create ripples, sometimes underestimated by diplomats. But in Lebanon as in Iraq the past few years have proved the limits of oil money as a weapon of foreign policy.

Patrick Cockburn

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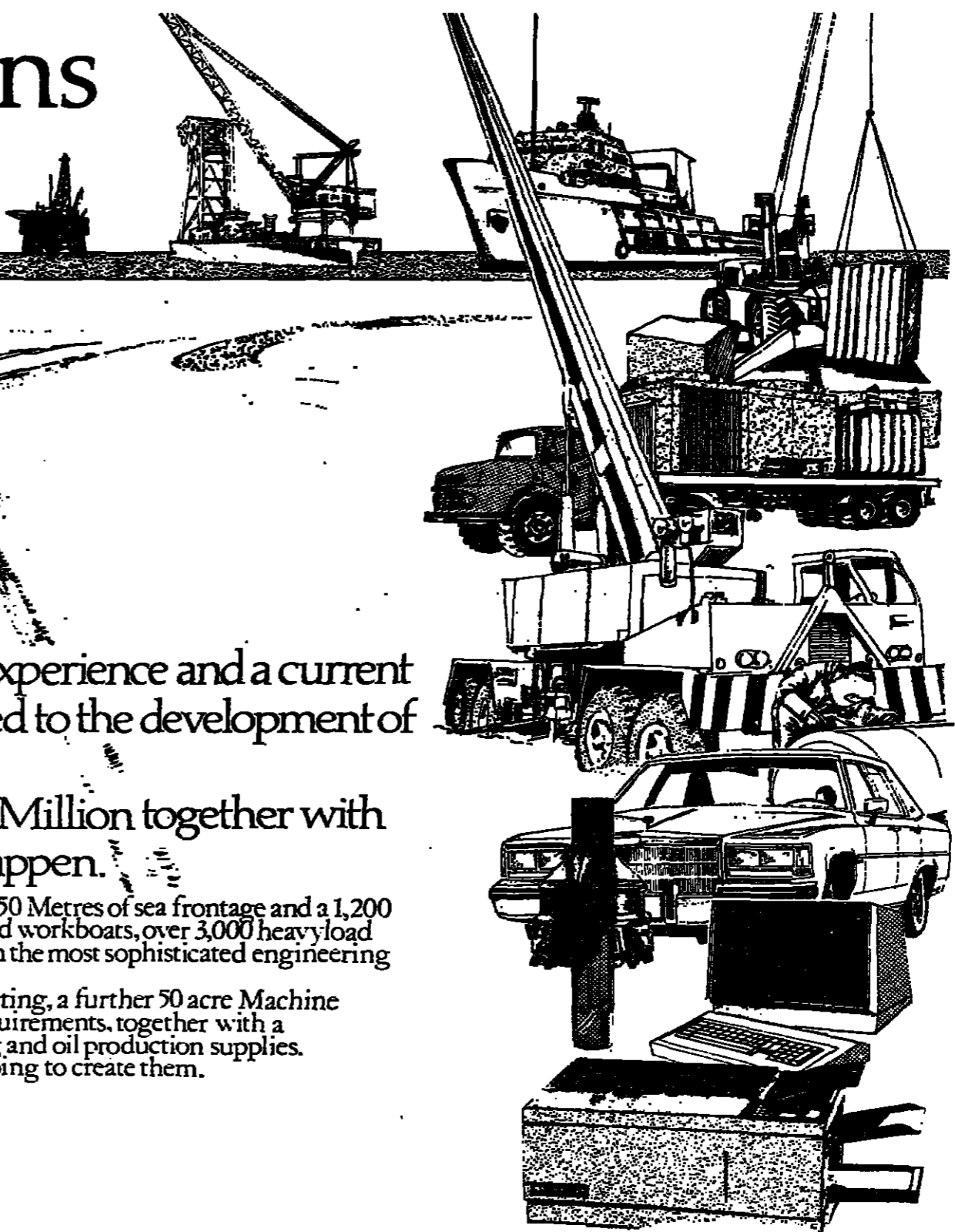
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QATAR IV

Lower oil revenues have forced the postponement of government projects, stopped the development of others—and tariffs are on the agenda

Major industries feeling the effects of world recession

QATAR'S semi-government industries have not had an easy year in 1982 despite the bonus of cheap energy supplies they enjoy. Much like any other Western industrial sector, Qatar's four major industrial projects have felt the effects of the world recession keenly. For some the knock was doubly hard because of the shortage of energy supplies they suffered. With the slump in world oil demand Qatar's oil production, and therefore associated gas supplies, causing a number of plants to operate at a fraction of their design capacities.

The decrease in the country's

oil revenues also resulted in the postponement of two major government projects. A project to expand local cement production has been put off and another venture to go into production of high density polyethylene has been postponed until the gas supplies are assured and world markets improve.

As Said Mishal, Qatar's chief industrial strategist, sums up the year: "We are not on the moon. The world recession hit us just like everyone else."

In the future Qatar's industries could also find themselves facing competition from other nearby plants in the Gulf un-

less the rhetoric expounded at conferences of the Gulf Cooperation Council takes a more practical form of implementation.

Mishal says that discussions on how to avoid future inter-Gulf competition are already taking place at all levels, from ministerial down to committees being established between companies in the same field. Efforts are also being made to arrive at a common Gulf price for a number of products.

Tariff protection is also very much on the agenda, despite the possibilities of retaliatory measures in the export markets.

"A lot of countries are dumping in the Gulf to deter us from further industrialisation and our local industries need the protection of tariffs," says Mishal. He argues that while Western governments continue to prop up their own industries through subsidies, it was only fair that the Gulf states take similar support measures. "In the Gulf area you can't manufacture a Kleenex without government support."

Co-operation among the Gulf states is vital to Qatar's steel manufacturing plans in particular. Within the next three months Saudi Arabia's own 800,000-tonne plant is due to come into operation, which will undoubtedly affect Qasco's largest market. The Kingdom is presently absorbing some 45 per cent of Qasco's total export sales.

Mishal says he does not see the forthcoming Saudi production of steel as an obstacle, for even the combined output of both plants is insufficient to meet Saudi Arabia's demand for steel bars. Dr Motomi Kano, Qasco's general manager, says the two plants are already co-operating in a number of ways. Qasco is already training employees for the Saudi plant and a committee has recently been established between the two companies to discuss marketing programmes.

Dr Kano points out that Saudi requirements reach 1.5 million tonnes a year and there is room enough for both in the market. At the moment the largest provider of steel to the Kingdom is Japan, though Qasco officials say that the recent strength of

the Japanese yen has enabled them to begin negotiations on a \$20 to \$30 a tonne price increase in Saudi Arabia.

Another major market for Qasco is Iraq and if the Gulf war were to be terminated this year then this market could also face some whittling down. Iraq has its own iron tonne a year plant at Basra, which lies idle and damaged because of the conflict. With the expected resurgence in construction in post-war Iraq, this plant is likely to be resurrected as soon as is possible. "If there is full production in Basra, this could be a problem," concedes Dr Kano.

Lucky

Qasco has been lucky in one way, though, in the fact that unlike other industries in Qatar it has a secure supply of gas from the Khuff field. Production has therefore been more than maintained in 1982 and Qasco is currently running at 100 per cent of its capacity. Output last year went up to 485,000 tonnes compared with 472,000 tonnes in 1981.

But with the drop in world prices for steel Qasco saw only a small operating profit in 1982 and ended with a net loss. Mishal says the loss was "small and tolerable" and points out that with last year's high interest rates Qasco was forced to pay out QR 85m in the loans it took for the original capital investment.

Qatar's petrochemical plant, Qafco, found itself suffering from the same problem. Last year \$75m of refinancing had to be arranged to help the plant meet interest payments.

The loan was led by Apicorp, Gulf International Bank and the Qatar National Bank.

However, Qafco's major problem was the shortage of feedstock. The plant's total feedstock requirement runs to 800,000 tonnes of ethane rich gas a year but in 1981 and 1982 the input was only 295,000 tonnes and 290,000 tonnes respectively. Qafco is fed by the NGL I and II plants, which in turn were operating well below capacity because of the decline in oil production.

Qafco was able to operate last year at an average of only 45 per cent of capacity, for in order for full production to be maintained oil output has to run at a level of 530,000 barrels a day to 550,000 b/d. In January this year output fell even further with decline in oil production and Qafco is now operating at only 30 per cent of its capacity.

Such shortfalls led to a loss of \$18m in polyethylene income and \$40m in ethylene, together with low figures registered for the plant's sulphur production. Total losses for 1982 are expected to work out at \$60m.

Qafco was further hit by the drop in world prices for its products. For example, low density polyethylene fell from \$1,000 a tonne two-and-a-half years ago to around \$600 a tonne today. "We opened our plant just as the market dropped," says Qafco's general manager, Maurice Russell. Such factors combined with the existing over-capacity in Europe resulted in the Qatar Government's decision not to go ahead with its plan for high density polyethylene production.



The Qafco fertiliser plant. Qafco has stayed in profit though at a reduced level

The company's French partner, CDF Chimie, is said to be pressing the Government to go ahead on the North Field project so that Qafco can be assured of gas supplies as soon as possible. Said Mishal says that in the intervening period, cap gas from the Dukkan fields can be used to put Qafco back to full operating capacity. "However, such steps are unlikely to affect Qafco's profitability in 1983 but 1984 will be OK," he says.

Qatar's fertiliser venture, Qafco, has at least shown some profits in 1982, though at a much reduced level over previous years because of depressed world markets. Over the past 12 months Qafco produced 663,000 tonnes, of which ammonia accounted for 528,000 tonnes, and the plant managed to sustain a 90 per cent operational level. Gas supplies have been maintained by supplementing the associated supply with Khuff gas. However, the use of Khuff gas has necessitated the installation of a QR 20m desulphurisation plant.

Total income of Qafco in 1982 was about the same as the previous year, says its general manager, Ingulf Skogestad. However, profit levels were substantially reduced on the QR 70m registered in 1981. This compares with net profits of QR 135m in 1980. But as Qafco officials point out, only two fertiliser plants in the whole of Europe were making profits last year.

While the Qatar Government's commitment to industry has so far run to \$4m in capital investment, this example has not yet been followed by the country's private sector. This is changing, however, and now

there are a number of small but highly successful industrial projects under way in Qatar, based on the Gulf region as their market.

Among the newest is Venture Gulf, a spin-off project from the Government's steel plant. The company is presently collecting every available abandoned car in the entire Gulf area for compressing and delivery as scrap metal to Qasco. Venture Gulf is also about to step into the export market.

The al Mannai group has just invested some \$40m in an offshore fabrication yard to manufacture drilling and accommodation platforms. The yard is being built on the premise that more than half the business will be derived from overseas. The group has just prequalified for work with Aramco and is now bidding on contracts in Saudi Arabia. Other work is being pursued with the Indian Oil and Natural Gas Commission in India.

The Government has sought to encourage such ventures in Qatar through soft loans and low rents in a specially designated area on Doha. So far some 33 licences have been issued and QR 50m has been granted in low interest loans.

One such project is the recently established joint venture between the Al Mana group and Otermill, the wholly owned British subsidiary of the U.S. Westinghouse group. The company will be producing electrical distribution switchgear for the Gulf market. Its one-year sales target has already been met in two-and-a-half months of operations, say Al Mana executives.

Kenneth Whittingham

Regulations aim to rebalance foreign community

Government seeking more Arab workers

LIKE OTHER small oil producers on the western side of the Gulf, Qatar has long relied on foreign workers for the bulk of its labour force. In Doha's souks most of the shopkeepers and their customers appear to be Pakistanis or Baluchis. Qatari citizens make up only 14 per cent of the workforce.

The exact balance between nationals and expatriates in Doha is unclear but diplomats estimate that the total population is close to 300,000 of whom 70,000 are Qatari citizens. Thus Qatar has about the same numbers of nationals as Abu Dhabi and, as elsewhere in the

Gulf, this population is growing rapidly by about 3.5 per cent per year.

But this is nowhere near sufficient however to meet Qatar's need for manpower. Migrants have flooded into the country ever since oil was first exploited in 1949 when the number of Qataris was roughly estimated to be about 25,000. By 1970, when development was still at an early stage, immigrants already formed 60 per cent of the population.

Over the past decade, in common with the rest of the Gulf Cooperation Council, the proportion of nationals in the population as a whole has continued to decline. Most of those arriving are from the Indian sub-continent who make up the vast majority of the unskilled and semi-skilled labour force.

Many senior advisers to the Government are Palestinians, some of whom arrived in the 1950s, but it does not look very likely that government efforts to increase the Arab proportion of the labour force will have much success.

There are thought to be about 25,000 to 30,000 Palestinians in the country though no precise or reliable figures are available. Almost every Arab state has contributed to the flow of migrants. In the Army alone, for instance, 18 different nationalities have been identified. The blue uniformed police force draws many of its recruits from the Sudan.

The Government last year introduced a new policy of seeking to increase the number of Arab workers. Its method is to sign government to government agreements with Arab states with a labour surplus such as Morocco, Sudan, Tunisia and Egypt. So far, however, this has still to show results. In 1981, Arab nationals made up less than 10 per cent of the total of 19,000 work visas issued.

Links

It is difficult to believe that the new government regulations will do much to reduce the preponderance of Asians in the work force. Much the largest foreign community is from Pakistan which may total about 100,000 or a third of Qatar's total population. Indians are estimated to number 35,000.

Many of these are from the western Indian state of Kerala, which has long had close links with the Gulf, and they provide much of the clerical staff in private companies and government departments. Qatar differs from Dubai, however, in that there is no strong Indian middle class of merchants.

The Qataris show only intermittent concern over immigrant labour from the sub-continent. It poses no political threat. Nevertheless there is evidence of tightening up on foreign workers.

Last year the sponsor/jip law was changed making it very difficult for a foreigner to change jobs within Qatar without leaving the country. "To everybody's surprise the Government is strictly enforcing this," says a diplomat.

Much the largest European community in Qatar is British, believed to be somewhere between 6,000 and 9,000 and increasing rapidly according to

UK expatriates.

By no means all are employed at managerial levels and the lower wages and salaries in Britain compared to much of the continent clearly puts British employees in a competitive position. "Most are out here to save money for a mortgage or their children's education after which they leave," one local manager said.

The critical division in Doha as in the other oil states is between nationals and non-nationals. There are, in effect, two labour markets: Qatari and non-Qatari. "The conditions of entry, rewards for effort, the criteria of reward, the type of work done and the intensity of work are different for each group," according to an authoritative study of the Qatari labour market.

"The traditional incentive to work, the need to earn a living, may not be relevant to Qataris who often receive an income without working or without working particularly hard."

Most of the estimated 20,000 in the labour force are in any case workers for the Government. Some 47 per cent of the 24,000 people in the state sector were Qatari in 1980. A study of 73 Qatari students at Qatar University in the late 1970s concluded that most saw the civil service as the most attractive career open to them.

An important change over the next decade in Qatar is that the number of Qataris entering the labour market will rapidly increase because the average age of the national population is very low. In the current academic year there are 45,730 students studying in 159 schools in Qatar, not counting the university.

In the foreseeable future almost all manual labour and the vast majority of the labour force will come from abroad. Vocational training will hardly make much of a dent in this. Self-sufficiency in manpower is a very distant prospect.

Between now and the end of the century an increasing proportion of the senior managerial jobs in government, and perhaps also in the private sector, will be taken by new Qatari graduates.

This situation, as with so much else in Qatar, could be modified if the Government gives the go-ahead for the development of North Field.

This would inevitably lead to increased demand for manpower and a further influx of immigrants, though the fashion in the Gulf over the last five years has been for major industrial projects to be built by workforces living so to speak in enclaves rather than becoming part of the local labour market. Once the project is completed they depart.

North Field would also lead to a change in the circumstances of expatriates already in Qatar. Local rents and real estate prices, already high but expected to fall, would escalate. The sedate pace of development of the economy would turn into a boom not previously seen in the country.

The knowledge that this would happen is one of the factors restraining the Government from initiating the North Field project.

Patrick Cockburn



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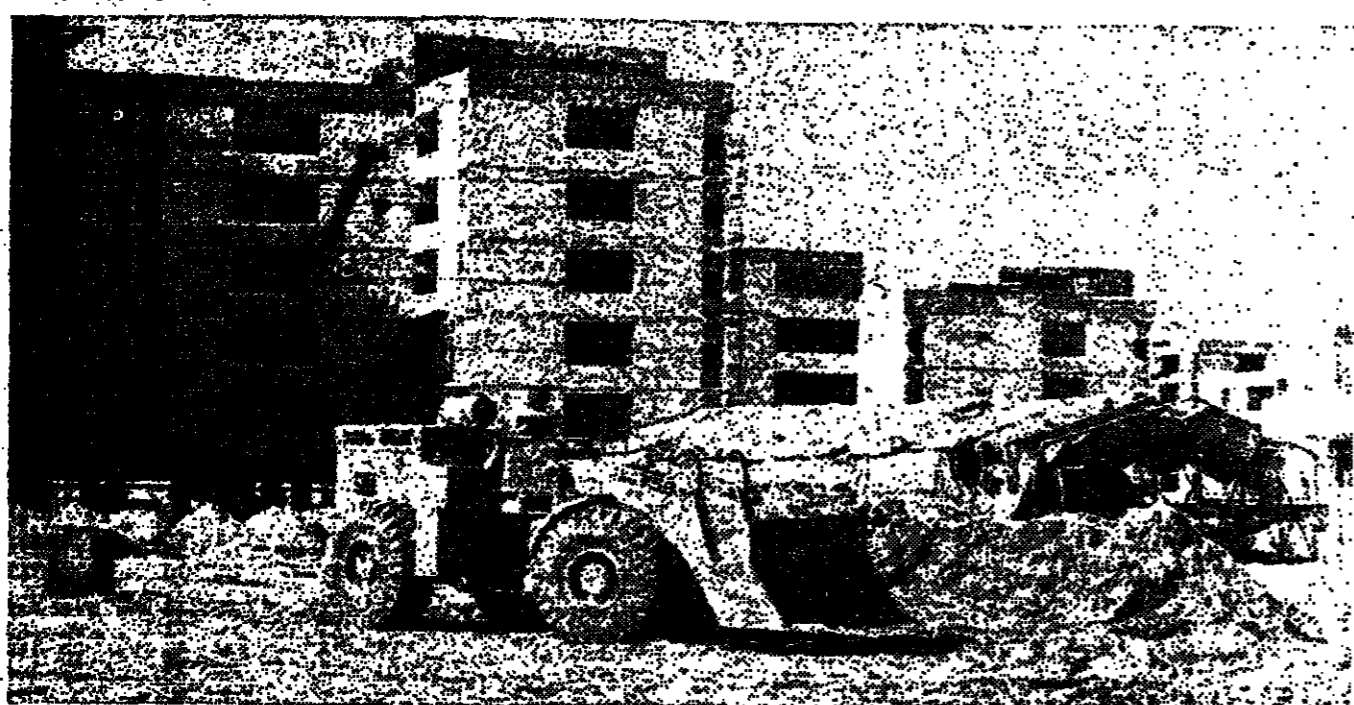
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QATAR V



Municipal housing for the Qatar government during construction. The government has had full control over all building in West Bay because it owned the land

New town shows the benefits of reclamation

West Bay scheme takes shape

THE KEYS TO 500 houses in the new West Bay urban development area will shortly be presented to low-income group Qatari families. It will mark another important step in the steady process of breathing life into a project which is something like building a Legoland city on a large scale.

Eight years ago the north-west end of the bay of Doha simply faded into a morass of stinking salt flats—unpleasant for the residents of fast-expanding Doha and quite useless to fishermen and farmers alike.

The Government, already thinking in terms of the year 2000—the target for completing development before the oil runs out—opted for a radical solution to solve the many problems facing the city of Doha.

Work began on reclaiming from the sea an area of some 1,500 acres. Dredging by Royal Bos Kallis Westminster began in 1974 and was completed in 1981 to provide a perfect coastline and land for urban development.

The reclaimed land, according to official figures, cost around Qr 5 per square foot, compared with prevailing selling prices of some Qr 40. More importantly the land belonged to the Government and thus the Government had full control over what should be built where, and over standards of design and construction. Such control would have been out of the question if the land was owned privately with competing major rivalries and jealousies.

In 1975 American planners William L. Pereira Associates, also involved in the planning of the Umm Salal industrial estate, were called in to prepare the master plan for a new town in the West Bay which, according to the brief, had to be integrated with the existing city, reflect the social and cultural preferences of the people of Qatar, present a visually exciting environment, and set a new standard of technical excellence to guide the state's future urban development.

For seven years as the land

all programme pressed ahead and then work began on installing roads, water and electricity, sewers and other basic infrastructure, the people of Doha lost interest in the project because there was little to attract the imagination. But in 1981 everything started to happen at once. A skeleton steel pyramid which has stood ghostlike on the point of the West Bay began to take form as the stunning Doha Sheraton hotel and conference centre.

Apartment blocks and commercial establishments like Salam Plaza and the headquarters of the Qatar General Petroleum Corporation rose from the mists to extend the city's horizon and sand yachts and sailors found new superb locations for their sports.

Elegant

A year ago, when the Doha Sheraton was opened by the Emir, the popularity of the new development project rose overnight—for the simple reason that no one had seen such an elegant building in Doha before—and here was a place where people could stroll among greenery and fountains in an atmosphere so different from the heat and humidity outside. Since its opening the Doha Sheraton has become the main centre for government, commercial and family entertaining in the city.

On the long drive around the Corniche to the hotel and conference centre, other signs of the birth of the West Bay are now clearly visible. Just around the curve from the National Theatre with its Moorish flavour of arches and rose gardens, the new General Post Office is under construction. Built according to advice from the British Postal Consultancy services, the five-storey post office will have the world's first fully electronic mail systems offering rapid local and international mail and 25,000 post office boxes opened by personalised and electronic access.

A little further along the Corniche, work has started on

a second building for QGPC to house its computer operations, and a headquarters for the Gulf Organisation for Industrial Consulting, one of several Gulf bodies with headquarters in Qatar.

Qatar's largest insurance company is shortly to open its new premises near Salam Plaza and a host of other commercial enterprises are ready to begin construction.

Along the beach area past the Sheraton, the Japanese and Kuwaitis have already taken up residence in the embassy security area where all diplomatic missions will ultimately be housed. The zone will have its own marina and other recreational facilities. A dense round the pre-qualification for the design and construction of its new embassy and others are beginning to prepare to move in.

At the far side of the West Bay area beyond the sightline from the Corniche is the new campus for Qatar University, scheduled for first phase completion at the end of the year. The 70,000 sq m campus includes lecture facilities, laboratories, libraries, administration and computer facilities, accommodation, and a sports complex.

The university now has 4,000 students registered at its temporary site in Madinat Khalifa but will be able to accept larger numbers once the new complex is complete.

The new university, in keeping with the planning requirement that each building and complex should offer a different element in a harmonious but varied architectural panorama, produces a honeycombed effect through hollow cubes. Interesting from the aesthetic point of view it is a functional design using the wind-tower principle to reduce retained heat and cut air-conditioning costs as Qatar becomes more energy-conscious.

All these major projects are bringing a new feeling to a city which has long seemed to lag behind its neighbours for the very good, but little understood, reason that speed is more of a disaster than a benefit when it

comes to long-term urban development. The lessons of other Gulf states and indeed of new town development in the U.S. and Europe were well studied by Qatar's planners and advisers.

But the real heart of the West Bay is the vast area between the university and the Sheraton complex will belong to the people. A network of roads and cul-de-sacs ensuring that every villa and apartment block is safe from traffic and guaranteed maximum privacy is already lined with elegant brass street lamps.

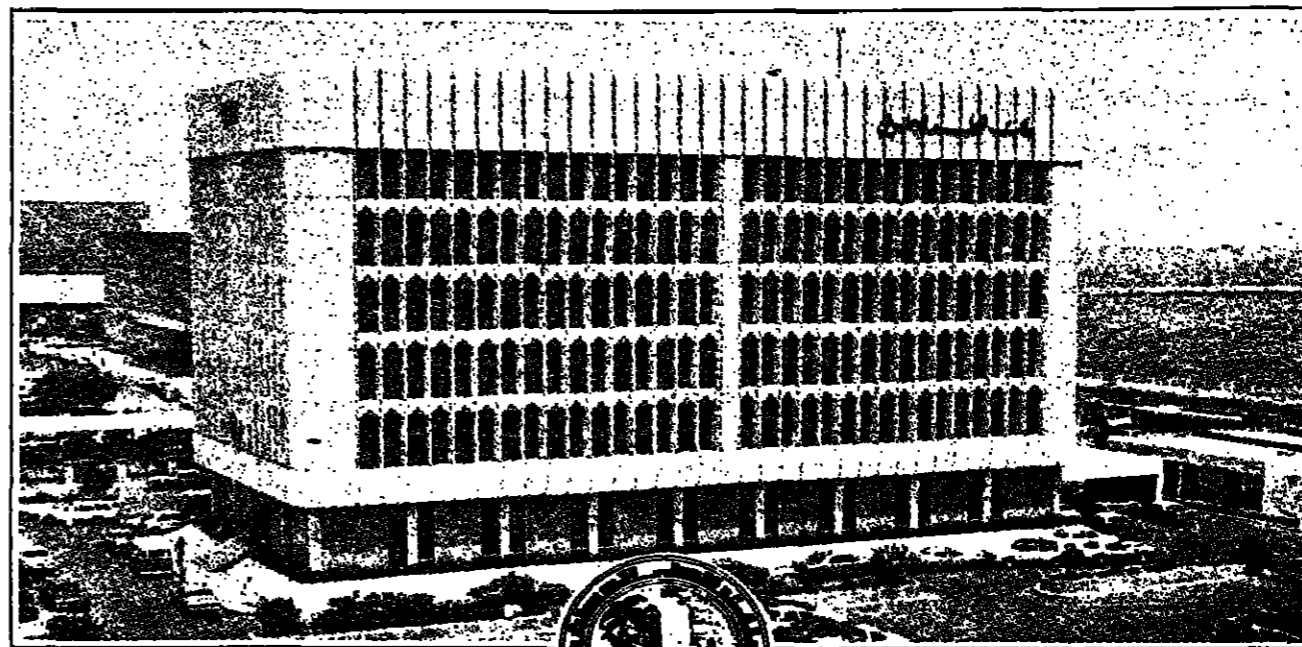
Where once there was bare sand and the land fill was allowed to settle and the systems installed there is now a flurry of building activity with villas for senior Qatari civil servants, each enormous and built to exacting standards, housing estates of low-rise apartment blocks and maisonettes for intermediate and junior staff, and commercial properties and mosques rising from the sand.

Building sites

There are rumours in Doha that the people of Qatar do not like the West Bay and will not move there. A drive round the area on a Friday morning recently suggested differently with countless Mercedes and Cadillacs parked at building sites as future owners surveyed progress, and checked that their names were written large below the house number.

Designed to house 60,000 people within the next decade as Doha's expansion continues, the West Bay will have a central shopping and social complex with Friday mosque, health centre, library and other community facilities.

The suburb will also have its own 10,000 capacity sports stadium complete with Olympic-sized swimming pool and an integrated leisure centre including indoor sports, ten-pin bowling which is growing in popularity and, it is rumoured, an ice-rink. Kenneth Whittingham



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Enlightened Ministry campaigning for creative teaching

Education continues to expand

AT 7 AM THE loudspeakers announce to all those living within a half-mile radius that school assembly is under way at one of Doha's girls' schools. The booming voice of the headmistress issues orders as the girls parade into school to a crackling tape recording of martial music.

Thus, another day has begun in Qatar's prolonged battle to develop a sophisticated education system capable of keeping pace with, or rather catching up with, the demands of the technological world to which it now belongs.

Qatar's Ministry of Education, set up in the mid-1950s by the present ruler, Sheikh Khalifa bin Hamad al-Thani, in his first ministerial task, has taken an approach towards solving the enormous problems of education, which given the State's youth and its Arab framework, is progressive and creative.

Traditional

The problems are easily defined. Before 1952 there was no formal education in Qatar. The more enlightened families sent their sons to school in Bahrain (the only school in the Gulf at the time), or to India—the country with which Qatar's merchants were most familiar.

For those not fortunate enough to be sent abroad for education, there was only the traditional *Kuttab*, the religious classes at which children learn to recite the Koran by heart at the feet of a scholar. For girls, there was no education.

In 1952, two years after the first oil flowed from Qatar's shores and a full two decades before independence was achieved, the first systematic education began with the open-

ing of a boys' school for 240 elementary pupils. By 1955, there were a thousand boys in school and the first girls' school opened with an intake of 50. The population of Qatar was then around 25,000.

In the current academic year there were 45,780 students registered at Qatar's 159 schools and its various technical colleges and institutes. Forty-nine per cent of the student population is female. Qatar University has produced 2,000 graduates since it received its charter and has a current student body of 4,000.

The quantitative expansion of the free state education system has involved enormous cost, and education always takes a lion's share of the state budget. In the past year alone, 19 new schools have opened in various parts of the country and the total number of teaching staff employed has risen by 10 per cent in the past year to 5,113.

The vast majority of the staff are recruited from Arab countries, mainly Egypt and Jordan, and all have to be housed. This itself created a temporary crisis in the housing market in 1982 and placed an additional burden on the massive urban development programme under way in the country, not to mention health services and other social amenities.

At current prices, the basic cost of educating each student throughout the system averages out at some 24,500 per year, not including the university. Thanks to oil revenues, the finance has been made available for this important sector. But while money can provide the physical facilities for education, the content is a different matter, and it is in this respect

that the Ministry of Education is fighting a persistent and enlightening battle to introduce creative and relevant education methods.

The problem of quality of education springs from a long-standing stagnation in Arab education as a whole. The Ministry is determined to ensure the preservation of its Arab-Islamic character through the education system and to escape colonial domination through the classroom. It was obliged to look toward Egypt and Jordan, traditional suppliers of teachers in the Arab world, to build its education system.

Flexibility

In Egypt a system largely prevails where children learn by rote facts produced by teachers for regurgitation for the important acquisition of certificates. Creative thinking and flexibility of mind have little place within the overburdened, under-staffed Egyptian mass education mill.

Consequently, when teachers brought up in such a system move to a country such as Qatar with a different cultural heritage and a higher level of technological development, an immediate problem is posed. The teacher is generally ill-equipped to cope with students whose motivations to learn are weakened by wealth and whose experience of the world at large is far greater than that of the educator standing before them.

It is not at all surprising to find that girls, who have enjoyed less freedom and narrower horizons, consistently perform better in Qatar schools than their male counterparts.

The problem facing Qatar's

education officials now, and the problem is not unfamiliar to officials in advanced industrial countries as well, is how to break out of a circle in which teacher passes on his received knowledge, when that knowledge has been bypassed by the rapid pace of scientific and technological development, given that the State has to produce people capable of running its industries and administration.

An important part of raising general education standards is the eradication of illiteracy in the parent generation who had no chance to enjoy formal education.

There are some 7,000 adults enrolled in literacy and adult education classes and the number is growing every year. Literacy courses are a minimum of one year, but the Ministry tries to persuade candidates to attend for two years, and then go on to study for the general certificate of education through evening classes. Already a few graduates from adult education classes have succeeded in advancing to the University to read for a degree.

The University is the pinnacle of a pyramid of higher education facilities which include language institutes and vocational training leading to City and Guilds certificates.

At the same time Qatar's top male students continue to receive education abroad; this year, 142 students were awarded scholarships to study in Arab and other foreign countries. The favourite country continues to be the U.S. where 60 students are entering on new courses this year.

K. C.

QATAR VI

The country's ever-growing economy makes the field's development essential

North Dome gas key to the future

THE DECISION on what to do with Qatar's massive North Dome gas field will be as financially important to the long-term future of the state as the start of oil production was way back in 1949.

Today the question has become not "if" they go ahead, but "when," because some form of development is inevitable for local power needs. By 1985-86 Qatar is likely to experience energy shortages, for there will not be enough gas to

supply the growing number of power stations and the industrial sector. The slump in world oil demand has already highlighted the vulnerability of Qatar's gas supplies. Apart from the rapidly depleting Khuff strata under the onshore fields, the country's industries are largely reliant on associated gas.

As regards revenue, the development of the North Field is vital. Qataris have come to expect an ever-growing

economy and an increasing standard of living. A slowdown on that front would pose difficult problems of national adjustment for the people as well as the regime.

Although Qatar's Emir, Sheikh Khalifa, has always avoided the political trap of providing permanent bonanza business conditions, the long period of restraint has left the merchant community hungry for something to get their teeth into.

On the other hand Qatar will be going ahead with its biggest project since the beginning of oil operations at a time when the region as a whole is experiencing its greatest period of instability with the Iran/Iraq war and the aftermath of the Israeli invasion of Lebanon.

Furthermore, if the final decision is taken to go ahead with an LNG project it will be a decision taken in defiance of the gloomy energy forecasts and the present market environment. The current nervousness of the Middle East region as a whole must make other potential sources such as in the Far East and Alaska more attractive to a number of possible LNG customers. Which ever way you look at it, the decision to go ahead will be a difficult one for the Emir.

The dimensions of the problem are due largely to the dimensions of the field. The North Field has proven reserves of gas of between 110-120,000 cu. m. though the higher figure of 300,000 cu. m. is slowly gaining respectability with the experts. Some analysts believe that Qatar may have already missed the boat in marketing reserves of this size, for when the European decided on Soviet gas the most appropriate market for Qatar was virtually written off.

Basically Qatar has four options on the North Field. First, there is the Wintershall

route. Wintershall, a subsidiary of the West German group BASF, holds about one fifth of the gas field identified so far in a concession and production sharing agreement. Recent drillings by the company show the field stretches to the north-east coastline, although it is thought to be somewhat lean in that area. These test drillings have been supplemented by one well at Ras Qirtas on the coast by the Qatar General Petroleum Corporation—Onshore.

That area of the reservoir, known as K2, could easily provide enough gas for Qatar's local energy needs and such a project would be relatively cheap. However, Wintershall's agreement is such that a separate project is required to be negotiated in the advent of gas discoveries and their subsequent development. Under the terms of the existing accord Wintershall is supposed to be responsible for the entire capital investment.

Reluctant

Qatar officials say the German company is now seeking certain amendments in its agreement "to make it more economic for them." Reports indicate that the group would receive naphtha and condensates in return, though officials at the Qatar General Petroleum Corporation (QGPC) are reluctant to comment on the substance of the negotiations. However, they concede that the fact that Wintershall is required to pay for the investment makes it an extremely attractive option for Qatar.

The second option is to go for the heart of the North Field, the K4 reservoir, the richest area of all. Experts point out that because the coastal areas held by Wintershall are the lean edge of the field, it would take many times more wells to secure a sizeable supply. Some argue that for

reasons of economies of scale a start in the core of the field is much more worth while. "Why go first in an area which you know will have problems," commented one expert.

The K4 area is, however, outside the Wintershall concession area. Local opinion says it would be a fairly easy job for QGPC to take on to produce enough gas for local needs from K4. It would at the same time be more expensive. QGPC managing director Ali Jaidah says he is not so minded either way. "You'd have to go further into the water," he points out, "and we have to remember our legal obligations to Wintershall." However, there is continued speculation in both Europe and the Middle East that Wintershall might be more interested in the field to help its home group weather the recession back in Europe.

The third option is to go for LNG. However, such projects are never embarked on without commitments from secured markets and constantly changing forecasts make predictions about the 1990s extremely hazardous.

So far the Qataris have had expressions of interests from the Japanese and from British Gas. Six oil companies have put in their proposals concerning LNG possibilities and provision of local gas supplies. They are British Petroleum, Compagnie Francaise des Petroles (CFP), Roy M. Huntington of the U.S., Wintershall and Exxon. Exxon joined the list late, shortly after its summer exit from Libya.

The companies were asked to make proposals on the basis that QGPC would have a 80 per cent ownership in the actual LNG facility and 100 per cent ownership of the offshore facilities and the pipelines. The proposals were



The Umm Said refinery. Collapsed oil demand has undermined Qatar's gas supplies.

NATURAL GAS (in cubic feet)				
Onshore operations			Offshore operations	
Associated	Unassociated	Associated	Unassociated	Associated
1981	1982	1981	1982	1981
2,357	1,537	3,038	3,604	1,519
Production				
Sales and local consumption				
1,979	1,094	2,973	3,577	86
NGL plant use				
819	790	—	—	101

PRODUCTION OF NGL ('000 tonnes)				
Month	Propane 1981 1982	Butane 1981 1982	Condensate 1981 1982	
January	18 18	11 10	70 55	
February	8 6	5 4	32 44	
March	20 8	13 7	85 68	
April	28 9	18 7	124 46	
May	23 22	15 16	121 135	
June	22 29	16 31	129 178	
July	25 25	18 18	150 148	
August	23 21	16 15	128 116	
September	20 23	14 17	121 137	
October	20 29	13 21	96 165	
November	15 20	9 14	53 113	
December	21 28†	13 17†	71 140†	
Total	243 238	160 167	1,190 1,346	

followed by a round of top level discussions last November with senior officials of all the companies and a report is believed to have been forwarded to the Oil Minister on the merits of each offer. The whole project is being monitored by a special committee consisting of senior oil and gas officials in the Qatar Government headed by Sheikh Rashid bin Aweida al Thani, deputy managing director of QGPC.

Western diplomats believe that the Qataris are leaning towards the BP and CFP proposals, though the Qataris themselves still insist the list is still open to all. No formal discussions have been begun with any party or market yet. Ali Jaidah emphasises, but he mentions Japan, Korea and Taiwan.

QGPC concede the sales prospects look grim at present. "It is no longer the same market of two years ago but I'm not a pessimist," says Jaidah. "I think we still have a market, though it may be delayed a year or two, but certainly LNG would

fit in with Japan's wish to diversify its energy supplies." The QGPC managing director says firmly that there will be no "construction without commitment." However, it appears that Qatar may now favour a more limited project than the one originally envisaged. As originally proposed, the LNG facility would produce about 6m tonnes a year.

A smaller project has the advantage of being able to respond to an upturn in the market when it occurs. A one-train facility being mentioned by officials would be in the order of 1.5m to 2m tonnes a year, in the range of Abu Dhabi's Das Island facility. Such a size would also mean a lessening of the huge capital investment required. The 6m-tonnes-a-year facility has been estimated to cost anything between \$40n and \$60n.

Of all the options open to Qatar the LNG facility is of course the most risky. Expressed

little to go on with a decision as costly as this, Qatar officials say they hope to participate in the huge capital expenditure involved out of revenues, export credits from such institutions as the American Ex-Im Bank and substantial loans in Euro-dollars.

However, in recent weeks a fourth option has emerged. The recent meeting of Oil Ministers from the Gulf Co-operation Council countries discussed the possibilities of establishing a national grid network of gas pipelines to fuel local power stations and industry. Such discussions could open a half-way option for Qatar of being able to develop its gas for its own use and supplement its income through exports to nearby Gulf states. What is certain is that there is enough for everyone, both for potential Western and Asian markets as well as the nearby Gulf countries.

Kathleen Evans

The decline to a 16-year low is causing gas supply shortages for industry, with the risk of mounting losses

High penalty paid in oil output for Opec loyalty

IN TERMS of output and reserves Qatar is one of Opec's smallest members—it accounts for about 1.4 per cent of current Opec production and about 0.7 per cent of its reserves. The state is also one of the organisation's loyal supporters but as with the rest of the Arabian producers, that loyalty has come at a high price in the last year or two. Qatar's oil output has now plummeted to its lowest point in 16 years.

For Qatar it is a two-edged sword. The decline in oil output has caused gas supply shortages for some of its major industries. Built on the assumption that production would remain about 530-550,000 barrels a day (b/d), they are now running at only a fraction of their design capacities. The NGL plants are thought to be operating at around 60 per cent of their potential and the petrochemical facility at about 30 per

cent, according to January's figures. Both industries are largely reliant on associated gas.

It is vital for Qatar, as an Opec loyalist, that the organisation put its house in order. If a production sharing agreement is not able to hold up then the country will face not only declining revenues from oil but mounting losses on its industrial sector. If Opec is unable to keep its dissident members in line, Qatar will be hard pressed to meet even its previous Opec quota of 300,000 b/d. Mr Ali Jaidah, managing director of the Qatar General Petroleum Corporation (QGPC), does not see much hope in a pick-up in oil demand in 1983. "If there is a recovery in Europe and the U.S., it will only be marginal," he says.

An analysis of the liftings of Qatar's major oil customers shows that the majority are still taking around 70 to 95 per cent of their contracted purchases; but it is clear there have been deferrals on liftings. Local industry officials speculate that one of the reasons why Qatar has been able largely to maintain customer loyalty, particularly among the oil majors, is the lure of long-term dividends that the North Field gas structure. Nevertheless, Qatar's prices are some \$4 a barrel over spot market prices. The testing time is likely to come around the middle of the year when the NGL plants are due to renew their contracts.

Japan has always been Qatar's largest market for crude exports and currently accounts for nearly 40 per cent of the total. France is in second place with 13.7 per cent, followed by Italy with just under 9 per cent. The U.S., Britain and West Germany all took less than one per cent in 1982.

Structure

Qatar's prices scrupulously reflect the Opec structure. In January 1983 Dukkan onshore crude was priced at \$35.30 a barrel, with the offshore oil selling at \$35.45, representing a 15 cent price differential. In March, with the Opec realignment on prices, these levels slid back to \$34.40 for the onshore crude of 41° API quality and \$34.30 for the marine crude of 36° API.

Production has slipped progressively over the past 12 months. At the beginning of 1982 total production during the first month averaged 403,000 b/d but by year-end had decreased to a level of 320,000 b/d. In January this year another slump was seen and production is now running around 260,000 b/d, which may indicate that further deferrals have taken place with the opening of the year.

This represents the third consecutive year that Qatar's daily average has gone down. In 1980 the daily average went

down 4 per cent over the previous year to 472,000 b/d and in 1981 there was another 20 per cent drop to an average of 402,000 b/d. Last year output had declined further by 17 per cent to 333,000 b/d.

Separating the onshore and offshore operations, the averages were divided as follows. Onshore output fell from 230,000 b/d in 1980 to 212,204 b/d in 1981 to a level of 171,668 b/d last year. Such levels of production from the Dukkan field have not been seen since the start of the oil production fell from 243,000 b/d to 188,000 b/d between 1980 and 1981; last year this average had slipped further to 160,000 b/d. Last month this level fell back once again by a further 30,000 b/d and now both the onshore and offshore fields are producing about the same amount—130,000 b/d each.

Fall back

Exports of crude are destined to fall back further within the next few months with the commissioning of the 50,000 b/d refinery built by Technip of France. The refinery is designed to meet the growth of local demand for petroleum products up to the year 1985. Within the first year of operation, however, Qatar will help out on the balance of payments, for the country has been importing growing amounts of petroleum products. In 1982, nearly 100,000 tonnes of petrol and nearly 65,000 tonnes of diesel fuel were imported. Nevertheless, Qatar exports the products market at its worst slump in years and the resulting fall back in crude exports will make Qatar one of Opec's smallest crude producers.

The only bright spot in this scenario is that at least the declining oil output rates have slowed down the rate of depletion of Qatar's fields. With a production rate of 400,000 b/d the oil was expected to last only another 25 years, but at the Opec quota of 300,000 b/d this has lengthened to around 40 years. At the even lower rate of 200,000 b/d it would be stretched further by an additional 13 years.

Although other oil-bearing reservoirs have been identified offshore, there are difficulties with each. Oil in encouraging quantities has been found in the northern offshore area.

The problem is that it is sitting on top of the North Dome gas field. The structure has been known for some years but its location on top of the world's largest fields of gas makes its development unlikely. The pockets of oil are said to be of a similar nature as Abu Dhabi's Upper Zakum field—i.e., low in productivity per well. Furthermore, its quality is only 26° API.

QGPC managing director Ali Jaidah believes the field needs further technological breakthroughs before it can be developed. "The reservoir is a

bit chalky and very costly to develop. But it is commercial."

Another field has been identified by seismic surveys on the western side of the peninsula in a concession held by Wintershall. However, this field, which lies close to the Qatar's ageing Dukkan structure, is located close to the disputed island of Hawar. Although mediation is underway by Saudi Arabia, the field's development will depend on a settlement of the dispute and possible joint development between Qatar and Bahrain.

Last year saw the continuation of the problems in the pipeline system connecting the offshore fields to Umm Said. Two pipelines, one 24 in and the other 12 in, feed associated gas into the NGL plants, which in turn feed AQPC. Corrosion has been found in the larger pipeline and following negotiations with QGPC, Shell has

been obliged to replace the 28 km onshore section which was located near a main road. However, Shell is now under pressure to replace the offshore section as well, a job which could cost around \$30m, say some experts. The offshore part of the pipeline runs for 98 km.

The second pipeline problem centres around the appearance of a black dust coming up with gas. At the moment the opinions of the experts on the origin of this dust are mixed but wherever it comes from it has necessitated the installation of an elaborate system of filters at the NGL plants. The dust is also prophetic—it burns on immediate contact with the air—and its location next to NGL plants has raised concern. Shell is now believed to be under pressure to replace this pipeline also. This follows on a lawsuit which is underway in Paris against Shell and a number of

contractors to determine the possible extent of responsibility for the fire in 1977 in the NGL plant.

This does not appear to have affected Shell's involvement as operator of the offshore operations. Ali Jaidah of QGPC commented "Their contract just continues."

Nevertheless there is concern about the extent the problems in the offshore pipelines will affect future throughput of gas. At the moment the pipelines are handling a reduced amount of gas because of the decline in oil output and there are question marks, say local experts, over whether the level could be substantially increased if by chance the oil markets pick up and Qatar wanted to produce more offshore oil. There are also question marks over the life of the pipelines.

K. E.

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